EGYPT OIL&GAS NEWSPAPER

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Is the Egyptian petroleum sector Thriving or Surviving?

Egypt's recent revolution has caused chaos in the country's economy. Major investments and injections of economic aid will be needed to get the country back on its feet, but what about the oil and gas sector?

P12

The overall Egyptian legislative structure

Along the history, Egypt has hosted numerous civilizations since 332 B.C, which has affected the legislative structure. In the modern history, Egypt represents one of the well-founded and structured judicial and legislative systems in the world

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MidEast oil recovery enters a new phase

Persian Gulf oil was known for being easy and cheap to produce. But, many of the Persian Gulf oilfields have been producing for decades, and most Gulf countries are exploring through the enhanced oil recovery (EOR)

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Petroceltic eyes oil and gas delas in Egypt

Petroceltic is eyeing oil and gas deals in Egypt and Tunisia to take advantage of a funding gap brought about by unrest in the North African region, said its chief executive.

"We are looking at deals in Egypt, Tunisia and elsewhere. Both farm-ins and new license applications, but we are mainly looking to get into farm-ins on development projects which people are finding it difficult to fund just now," said Chief Executive Brian O'Cathain in an interview.

"Debt is not really available for North Africa because of what has happened in Tunisia, Egypt and Libya."

O'Cathain added that Petroceltic will have $100 million of unallocated capital to spend on deals once a tie-up with Italian utility Enel on the company's Isarene gas field in southern Algeria completes, something it expects to happen in the third quarter.

Khalda drills new wells in Western Desert

Khalda Petroleum Company announced the successful drilling of a development well in its concession in the Western Desert.

The new Hany Dash 1X was drilled to a total depth of 14600 feet and showed primary results of 788 barrels of oil in the Alam Al-Bueib formation.

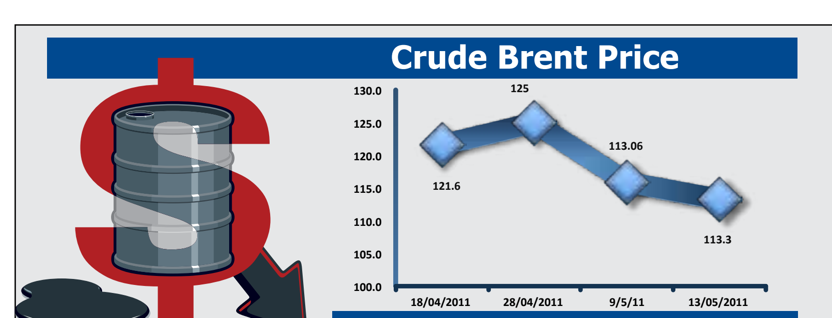
The total investments of the drilling of this development well averaged $500 thousand approximately.

Al-Hamra invests $1.25 million in Alamein

Al-Hamra Oil Company drilled a new exploratory well in its concession area of South East Alamein, in the Western Desert.

The drilling results of the North East-3 well showed a preliminary production of 200 barrels of oil in the Kharita formation.

Hamra Oil, the joint venture between the Egyptian General Petroleum Corporation (EGPC) and the American IPR, invested $1.25 million for the drilling of this exploratory well.



Time to work or else...!

Though I had a decision not to express my political opinion and expose my personal views publicly, I felt there is an urging question I thought of sharing it with you. Should/should not we halt the ongoing Friday's demonstrations?

Some believe that this is the most effective mean to pressure the Supreme Council of Armed Forces (SCAF) and the General Prosecutor to speed up their investigations about the old regime and finalize their trials. On the other hand, other segment of citizens opposes such idea and believes that demonstrations are worsening the social, political and economic conditions in the country.

I believe both views should be respected, whether we are for or against it. However, should not we listen to our minds and do the right thing? Let's ask ourselves some questions and honestly answer them; what does the country need the most at the time being? Are we in a need for more sit-ins or for more productivity? Should each one think of his personal interest over the general benefit? What if we employ the same energy and enthusiasm we experience during demos, would not the production level of each one double?

I know that some readers would not agree with my thoughts, but we cannot deny that the life of each one of us has been changed in one way or another since January 25th. Some enjoy the fact that their voices have been finally heard and their demands have been met. Yet, the case now is not about the out loud voices, but it is rather about millions of silent citizens who are suffering from the lack of work and money. I will not follow the same method as the one of SCAF and the Minister of Finance when they revealed the deteriorating economic conditions we are going through to knock the alarm bell. I will instead compare our current conditions to the ones of Japan after the last Tsunami that destroyed the whole country. I think we did not hear much voices of grieve and pain instead the whole population has united to rebuild their country once back. So why do not we follow the same model, since we did the tsunami (positive change) we hoped for and are currently redrawing the whole country image?

Why do not we invest the power we attribute to Friday's protests into work? There are basic factors that will lead our nation to a real renaissance: ethics, education and work productivity!

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Dana Petroleum explores in the Eastern Desert

Dana Petroleum finalized the drilling of a new exploratory well Omar-1 in its concession area in the Eastern Desert.

The company drilled the well to a total depth of 5600 feet, with total investment worth $3.5 million.

The initial drilling results revealed a production rate of 980 barrels of oil in addition to 18 million cubic feet of gas in the Rudeis Formation.

PMS provides offshore platforms to Amapetco and Abu Qir

The Petroleum Marine Services Company (PMS) is installing offshore platforms and pipelines for the Amal Petroleum Company (Amapetco) and Abu Qir Petroleum Company.

the total investments of both projects are $31 million and $20 million respectively.

PMS will be installing pipelines for Amapetco in its concession near the Ras Debba, located between the areas of Shokeir and Gebel El-Zeit in the Red Sea.

Moreover, Abu Qir, the joint venture between the EGPC and Italian Edisson, awarded a $20 million contract to PMS in order to install offshore platforms and a 12-inch gTas pipeline at 11,000 feet-depth in the company's concession area in Alexandria.

BG to invest $250 million in Egypt Licenses

BG Group Plc plans to invest $250 million in drilling three exploratory wells in offshore concessions this year and in 2012, Egypt's Petroleum Ministry said in a faxed statement, citing a company manager.

BG Group plans to drill two wells for $50 million in the El Manzala block this year and a well at a cost of $200 million in El Burg before the end of next year, the Ministry said, citing Sami Iskander, BG's Executive Vice President and Managing Director for Africa, Middle East and Asia. The Reading, England- based company produces over 35 percent of Egypt's total gas.

Egypt holds Africa's sixth-largest crude oil reserves, with 4.4 billion barrels, and the continent's third-biggest gas reserves, with 78 trillion cubic feet (2.21 trillion cubic meters), according to data from BP Plc. Its daily production is around 700,000 barrels of crude and condensate and 6.3 billion cubic feet of gas, according to the Ministry of Petroleum documents.

Active drilling operations for Qarun

"Qarun Petroleum Company drilled five development wells, through the utilization of five drilling rigs and six work-overs, in the Western Desert. This drilling activity is part of the company's program for the fiscal year of 2010-2011, a top official at the Ministry of Petroleum told Egypt Oil & Gas Newspaper.

the source added that the drilling depths of the five wells average between 6,000 to 7,000 feet, while the drilling of some wells were deeper and reached approximately 12,000 to 13,000 feet.

"The drilling cost per well counts for nearly $2 to $3 million," he highlighted.

The utilized rigs were rented from Egyptian Drilling Company and the Pyramid Drilling International; three from EDC (EDC 64, EDC 47 and EDC 91) and two from PDI (PDI 1 and PDI 2).

Quotes

We should expand oil production in America even as we increase safety and environmental standards

Barack Obama took several steps to speed oil and gas drilling on public lands and waters

The value of the company is much greater than what is reflected in the current share price. This is partly because investors do not understand the nature of our business and the fact that very few oil and gas companies are listed on stock exchanges in the Gulf

Ahmad Al Arbeed, Dana Gas CEO commenting on a potential listing on the London Stock Exchange

"OPEC is trying to compensate part of the shortage of supply of crude and create a balance in the market and in the future Opec will continue to do its onerous duty which is to create balance in the market"

Iran's Opec governor, Mohammad Ali Khatibi, acknowledged that there was a shortage of supply in the global oil market

"Frankly, the hydrocarbons draft approved by cabinet in 2007 is not fitting to become law. It requires major changes"

Iraq's Deputy Prime Minister Hussain al-Shahristani commented on the draft of Iraqi long-delayed oil law

Jordan commits to better ties with Egypt

King Abdullah of Jordan and Field Marshal Mohamed Tantawi, Chief of Egypt's Ruling Military Council exchanged views to boost bilateral cooperation and other issues of mutual concern between the two countries, in a meeting held in Cairo.

Jordan's king stressed his nation's full commitment to strengthening relations with Egypt and building on previous cooperation that will serve the interests of both countries, according to a Royal Jordanian statement issued Tuesday evening.

Addressing the latest developments in the Middle East region, the two countries agreed to continue their ongoing consultations and coordination in order to boost joint action, which serves Arab causes important to both.

The meeting was attended by Egyptian Prime Minister Essam Sharaf, Finance Minister Samir Radwan and Petroleum Minister Abdullah Ghorab.

It is worth mentioning that this meeting comes at a time when relations between the two countries are strained following Cairo's insistence on renegotiating its contract to export gas to the Hashemite Kingdom. Prior to the April attack on the gas pipeline, which runs between the two countries, Jordan had been importing 6.8 million cubic meters of Egyptian gas per day – enough to supply 80% of Jordan's demand.

Under the terms of the 14-year deal signed by Jordan in 2002, Jordan had been paying Egypt half of the market price for gas. Prime Minister Sharaf said earlier this month that Egypt would review its contracts with Jordan and other countries including Israel amid accusations that Mubarak's government had improperly negotiated gas sales at preferential prices.

The Jordanian government has agreed to reopen its natural gas contract with Egypt and to pay market standard prices.

Naftogaz to pull 600,000 barrels of crude in 2011

Ukraine's national oil and gas company Naftogaz Ukrayiny plans to produce about 600,000 barrels of crude oil from deposits in Egypt in 2011, Naftogaz said in a statement.

Naftogaz, which started production at the Gharadig oil deposit in Egypt in April 2010, had already extracted about 410,000 barrels of crude oil from the deposit.

In 2012 Naftogaz plans to increase extraction of crude oil at the Alam El-Shawish East block to 3,000 barrels per day.

Threatens from Israel over gas prices

Israel has rejected Egypt's plan to reconsider the price of gas and has threatened to resort to international arbitration, an official source in the Petroleum sector told Ahram Online.

The source said that the American partner in the East Mediterranean Gas Company (EMG), which is owned by fugitive businessman Hussein Salem, has already warned the Egyptian Natural Gas Holding Company (EGAS) that Israel will seek international arbitration if Egypt does not resume pumping gas to Israel based on the prices agreed upon in existing contracts.

The source said that Egyptian officials have rejected Israel's threats and are adamant that they will adjust the prices and only resume pumping gas after agreement is reached.

The source added that Spain, however, has accepted the amendments to the gas prices.

Adjusting the gas prices has became a key demand of the revolutionaries which led interim Prime Minister Essam Sharaf to promise to review the existing agreements.

Ganope awaits drilling results

Ganoub El-Wady Petroleum Company (Ganope) is waiting for the preliminary results of the drilling of a new exploratory well, in the Mediterranean Sea.

Ganope drilled the Kiwi exploratory well at a total depth of 2700 meters, with investment exceeding the $100 million.

It is worth mentioning that Ganope is a joint venture between the Egyptian General Petroleum Corporation (EGPC), Norweigan Statoil and Algerian Sonatrach.

Petrobel's updates in Abu Rudeis

Belayim Petroleum Company (Petrobel) drilled three development wells in the field of Abu Rudeis in North Sinai, in the Gulf of Suez area.

The drilling depths of the three wells are on the average of 8,500 feet to 11,500 feet.

Accoding to sources, this development program will be held by the Sino-Tharwa 3 and EDC 51 rigs.

Agiba invests more in the Western Desert

In the context of its fiscal year 2010/2011, Agiba Petroleum Company drills three development wells in its concession area in the Western Desert.

The volume of investment for this drilling program will count for $6 to $9 million. The drilling operations are carried through the PDI-92 and ECDC-2 and Sino-Tharwa A rigs.

The Joint Venture between the EGPC and Italian Eni is also working on the repair of another four development wells in the same area, which will cost from $500 thousand up to $1 million per well.

TDW aids Egypt gas line connections

T.D. Williamson (TDW) completed a subsea hot tap intervention in the Egyptian sector of the Mediterranean Sea.

The operation was carried out for Technip Norge AS on behalf of the Burullus Gas Company, which required a tie-in of the new 36-inch gas export pipeline to an existing 26-inch gas export pipeline.

The new pipeline will serve Burullus Gas Co.'s West Delta Deep Marine (WDDM) Phase VII development.

TDW's main goal was to achieve the tie-in without shutting down production.

TDW completed two traditional 16-inch hot tap operations on the 26-inch gas export pipeline. In addition, an innovative 20-inch hot tap on the 36-inch line was executed on a blind weld-neck 'tappable flange' made of duplex stainless steel. To prepare for the hot tap operations that would take place in depths to 95 meters, TDW carried out extensive engineering, design and preliminary testing at its facility in Nivelles, Belgium.

To prepare for hot tap operations in water depths of up to 95 m (311 ft), TDW conducted engineering, design, and testing at its facility in Nivelles to customize a special hot tap tool known as a "cutter" to effectively cut the duplex plate. This cutter, which is more rigid than the standard tool, is vibration-free, the company says, and has a removable cutting tooth system for use on specific duplex tools.

For three weeks TDW personnel worked from Technip's DSV Wellservicer to implement all three hot taps. The task on the duplex tappable flange took six days to complete. Throughout, a pressure of 100 bar (1,450 psi) was maintained in the 26-in. export pipeline.

"It was a very satisfactory conclusion to all of the hard work that went into this successful project, involving Nemo Engineering AS, National Hyperbaric Centre, TDW and the team onboard the Wellservicer," commented Jonathan Browne, Project Manager - WDDM Phase VII Offshore - Burullus Projects for the Burullus Gas Company.

In spite of the fact that the hot tap intervention was carried out subsea, which makes it more complicated to mobilize and install equipment than for projects conducted onshore, the operation went to plan. According to TDW, the company's extensive experience in executing subsea hot tap operations and dedication to planning and pre-operational equipment trials and testing are the reasons for its success.

"In cooperation with the Technip team, we worked hard to ensure that the operation would proceed like clock-work, and that the customized cutting tool would operate effectively on duplex stainless steel," said Michel Courbat, Offshore Project Manager for TDW.

In 2009, TDW provided similar services on parts of the onshore pipeline system that form part of the WDDM in Egypt.

Circle Oil provides NW Gemsa operations update

Circle Oil provided an update regarding the Geyad-3 appraisal/development well together with details on the future development of the NW Gemsa Concession.

Geyad-3, located to the south-east of the Geyad-1X ST well in the Geyad Development Lease, was drilled to 5,635 ft MD in the Upper Rudeis. The main objective for this well was to appraise and bring into production the oil bearing Shagar and Rahmi sandstones of the Kareem Formation. The Shagar sands were encountered from 5,333 to 5,347 ft MD with 14 ft of net oil pay.

Circle is to announce that the Shagar interval was tested at a sustained rate of 1,316 bopd and 1.26 MMscf/d of gas on a 24/64" choke and the well will be completed for production. The underlying Rahmi sands were encountered but found to be of poor reservoir quality and were not tested. A secondary objective of the Belayim sands in Geyad-3 well was also encountered with 5 ft of calculated net pay, but it was decided not to test this interval at the present time.

The Geyad-3 well has proved up the South East extension of the field and added further confirmation of the field geometry. The next well proposed for the Geyad field is a westerly peripheral injector to be drilled later in 2011.

The NW Gemsa Concession, containing the Al Amir and Geyad Development Leases, covering an area of over 260 sq kms, lies about 300 kms southeast of Cairo in a partially unexplored area of the Gulf of Suez Basin. The concession agreement includes the right of conversion to a production licence of 20 years, plus extensions, in the event of commercial discoveries. The NW Gemsa Concession partners include: Vegas Oil and Gas (50% interest and operator); Circle Oil Plc (40% interest); and Sea Dragon Energy (10% interest).

BG Group signs Kenya production sharing contracts

BG Group announced it has signed Production Sharing Contracts (PSC) with the Government of Kenya for two offshore exploration blocks - L10A and L10B.

BG Group will be operator on both blocks and will hold a 40% equity interest in block L10A and a 45% interest in block L10B. The initial work program consists of a commitment to acquire seismic data during an initial exploration period of two years.

Blocks L10A and L10B together cover an area of more than 10,400 square kilometers in the southern portion of the Lamu Basin, offshore Kenya, located in water depths ranging from around 200 meters to in excess of 1 900 meters.

"BG Group looks forward to working with our partners and the Kenyan Government to play an active role in the exploration for oil and gas offshore Kenya," said Executive Vice President and Managing Director, Africa Middle East & Asia, BG Group, Sami Iskander.

BG Group's partners in the Kenya blocks are Premier Oil Investments Limited, Cove Energy plc and Pancontinental Oil & Gas NL.

Hyperdynamics Offshore Guinea Exploration Project ready for drilling phase

AGR Petroleum Services signed a drilling contract, on behalf of Hyperdynamics Corporation, with Jasper Drilling Private Limited of Singapore to contract the drill ship Jasper Explorer for drilling in Hyperdynamics' concession offshore the Republic of Guinea.

The Jasper Explorer is a modern Pelican Class self-propelled drill ship capable of operating in water depths up to 5,000 feet.

"The conclusion of a drilling contract with Jasper Drilling Private Limited is a crucial step in preparations for our drilling campaign. We are on track to spud the first well in the fourth quarter of this year offshore Guinea," said Ray Leonard, Hyperdynamics President and Chief Executive Officer.

Total hits new discovery offshore Angola

Total announced that its subsidiary, TEPA (Block 17/06) Limited, and Sociedade Nacional de Combustíveis de Angola (Sonangol E.P.), discovered hydrocarbons in the northeastern area of the deep offshore block 17/06 in Angola.

TEPA Limited and Sonangol discovered hydrocarbons in the northeastern area of Block 17/06 offshore Angola. The Canna-1 well, drilled in a water depth of 1,460 feet (445 meters), found hydrocarbons in a reservoir of Miocene age. While conducting a production test, the well produced more than 5,000 bopd of high quality oil (33 degree API) during a production test.

Sonangol is the concessionaire of Block 17/06. TEPA Limited is the operator of the block with a 30% stake. Total's partners in the block include Sonangol (30%), Sonangol Sinopec International Seventeen Limited (27.5%), ACREP Bloco 17 (5%), Falcon Oil Holding Angola (5%), and Partex Oil and Gas (2.5%).

Total has been present in Angola since 1953. It operated 460,000 barrels oil equivalent per day (boe/d) in 2010, and its SEC equity production amounted approximately 163,000 boe/d. This production comes essentially from Blocks 17,0 and 14.

Deep offshore Block 17, operated by Total with a 40% interest, is Total's principal asset in Angola. It is composed of four major zones: Girassol-Rosa and Dalia, which are currently producing; Pazflor, a project under development for a production start in the second half of 2011; and CLOV (based on the Cravo, Lirio, Orquidea and Violeta discoveries), for which the development was recently launched.

Total is also the operator with a 30% stake in the ultra deep offshore Block 32, on which 12 discoveries were made, confirming the oil potential of the block. Pre-development studies for a first production zone in the central southeastern portion of the block are underway.

In addition, the Angola LNG project for the construction of a liquefaction plant near Soyo is designed to bring the country's natural gas reserves to market. This project, on which Total holds a 13.6% stake, will be supplied by the associated gas from the fields on Blocks 0, 14, 15, 17 and 18. The project is underway with production expected to begin in 2012.

S. Sudan to honor India's oil deals

All contracts for Indian stakes in South Sudan's oil wells and their entities within the semi-autonomous region will be honored after the latter's independence, a special envoy revealed.

According Indo-Asia News Service (IANS), the special envoy Priscilla Joseph Kuch made these assurances during a meeting held with S.M Krishna, the Indian external affairs minister in the capital, Delhi.

South Sudan is due to become independent in July after its population overwhelmingly voted for separation during the January self-determination referendum. The plebiscite was a key part of Sudan's 2005 Comprehensive Peace Agreement (CPA), which ended over two decades of war between north and south of the country.

Also discussed, according to Vishnu Prakash, the Ministry Spokesperson, was India's hydrocarbon interests in the oil-rich South Sudan which was reportedly "consolidating" and taking stock of agreements in the sector. "Our understanding is that the agreements pertaining to India will be honored," Prakash reportedly told reporters.

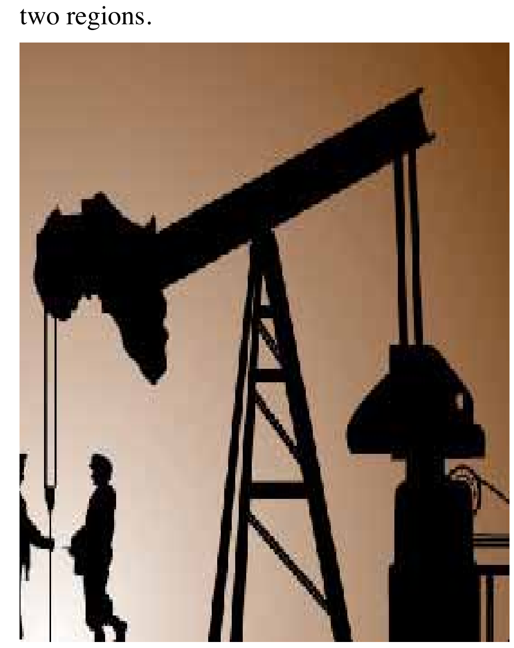
Currently, according to IANS, India's ONGC Videsh Limited is said to have stakes in several wells in Sudan, with production reportedly standing at 160,000 barrels per day. Out of this, 100,000 barrels per day of production is reportedly from oil wells in South Sudan.

"OVL has already offered training and to go beyond the current level of engagement," Rajiv Shahare, the Indian External Affairs Ministry Secretary reportedly revealed.

OVL is a company began operating in Sudan in 2003. It built the pipeline from Khartoum to Port Sudan. It has a 25% stake in Sudan's Greater Nile Oil Project, which produces 280,000 barrels of oil per day. It is looking to expand its reach in South Sudan.

Regarded as being among the biggest players in Sudan's oil sector, along with China and Malaysia, India reportedly made an initial investment of $1 billion in the sector, which is said to have increased to $2.5 billion. Over the years, India has extended a $566 million line of credit, which includes building a 500 megawatt power plant. Bilateral trade between India and Sudan was about $1 billion in 2010.

In last March, the Energy and Mining ministry in the Government of South Sudan and Petroliam Nasional Berhad (PETRONAS), a Malaysian-owned oil and gas company signed a two-year memorandum of understanding aimed at boosting mutual cooperation between the two parties. The document, signed in South Sudan's capital, Juba, outlines the overall principles of cooperation in the oil and gas sector between the government and the Malaysian oil giants, creating an avenue exploiting existing business opportunities in the two regions.



Gasprom expects Iraq's oil exports by 2013

Russian Gasprom working in Wassit province in Iraq expects to export first oil shipments by mid of 2013.

The international consortium that won the contract for developing Badra oil field, 80 km east of the province, expects to start extraction and exports with a capacity of 15 thousand b/d.

Head of the consortium Alexander Kolmatisky announced that future production would be increased to 170 thousand b/d for the coming seven years. But, the main problem for this oil field is the problem of mines available on 165 square kilometers.

Part of the problem was solved by an Iraqi company specialized in mines lifting, but still more to expect. Badra oil field lies near the Iraqi-Iranian borders. Some of its parts are within these mine fields.

Its reserves of oil are expected to reach 1,5 billion cubic meters of gas.

Russian Gasprom owns 40% of the project, while the Turkish company TPO has 10%, Kogas 30% and Malaysian Petronas 20%. Two Iraqi companies are cooperating with them, the first for mines lifting and the second for 3 D seismological surveys.

The 4-company consortium is expecting drilling in the field by the next year.

Kolmatisky declared that the consortium would drill 17 wells, including Badra 1, which was discovered in 1977.

Wassit local government continuously urges the consortium to expedite their work to benefit from the petro-dollar project made by the Iraqi government to the local authorities for producing oil and gas.

Badra oil field contract was signed on 24 September 2009, which is the second to be exploited in the province following Al-Ahdab oil field by the national Chinese oil company, which drilled 50 wells with first production to be by the end of next July to produce 60 thousand b/d.

Iraq, member of OPEC, with the third world oil reserves, produces, now, about 2.5 million b/d.

Sonatrach and Eni to develop Shale gas in Algeria

Algeria's State Energy Company Sonatrach signed a cooperation agreement with Italian company Eni, for the development of unconventional oil and gas in Algeria, with particular focus on shale gas, Sonatrach has confirmed in a statement.

The accord is the first of its kind signed so far in Algeria as it seeks to revive lukewarm foreign interest for the development of its hydrocarbons.

In a statement, Eni said the deal will have particular focus on shale gas as the Italian company says there are "significant" reserves of such gas in Algeria.

"Eni and Sonatrach will jointly implement activities to assess the technical and commercial feasibility of exploration and operational initiatives in shale gas," Eni said.

"Based on previous assessments, Eni confirms the significant shale gas reserves in Algeria which Eni and Sonatrach wish to explore and develop. This will enable both companies to make important discoveries which will enhance the gas potential of the country," Eni concluded.

CIS receives major contract by Weatherford Nigeria

Conductor Installation Services (CIS) has been awarded the largest contract in its history by Weatherford Nigeria. The USD multi-million dollar contract requires CIS to provide a range of conductor installation services in Nigeria on behalf of two major operators in the region.

Services will be carried out in conjunction with construction of a jetty, onshore and offshore platforms, and offshore stand-alone conductors. In addition to installing conductors, CIS will provide conductor make-up and cold-cutting services, and a variety of installation tooling equipment, including connection drive chasers and a range of directional drive shoes.

To carry out the conductor-driving operations, CIS will use two 150 kJ and two 90 kJ hydraulic hammers that are based permanently in Nigeria to support operations in the region. While the powerful 150 kJ hammer is designed to drive the larger conductors that measure up to 42 inches, the 90 kJ hammer is typically used to install smaller 20-inch to 36-inch conductors. CIS anticipates that it will be drive approximately 48 slots throughout the program, which is scheduled for completion in 2013.

Already, CIS has commenced work on the first phase of the conductor installation program, which involves driving slots for construction of an offshore barge. This project requires CIS to install 36-inch conductors utilizing its 90 kJ hydraulic hammer spread. The contract is being supported by CIS from Port Harcourt, Nigeria and from its global headquarters in Great Yarmouth, England.

Tullow to acquire EO Group's interests offshore Ghana

Tullow has entered into a conditional agreement to acquire the interests of EO Group Limited (EO), consisting of its entire interests offshore Ghana, for a combined share and cash consideration of $305 million.

This acquisition will increase Tullow's interest in the West Cape Three Points license offshore Ghana by 3.5% to 26.4% and increase the Group's interest in the world-class Jubilee Oil field, which Tullow Operates, by 1.75% to 36.5%.

Tullow will issue 10,137,196 ordinary shares of 10p each in the share capital of the Company to EO to satisfy approximately $216 million of the consideration. The balance, which will include certain working capital adjustments, will be paid in cash. The number of shares has been determined using an average of the closing share prices and exchange rates for the five business days up to and including May 24, 2011. The receipt of Tullow shares as part of the consideration gives EO the opportunity to retain an indirect interest in the upside potential of all of Tullow's Ghanaian assets.

"This acquisition represents an excellent opportunity to extend our interest in these high-quality assets in Ghana. Following our exploration and production successes over the last few years, which culminated in First Oil in late 2010, this purchase further demonstrates Tullow's long-term commitment to Ghana and our belief in its significant remaining potential," commented Aidan Heavey, Tullow's Chief Executive

The effective date of the transaction is December 1, 2010. The agreement is conditional on the receipt of various consents, approvals and assurances, including from the Government of Ghana.

Upon completion of the agreement, application will be made to the UK Listing Authority and the Irish Stock Exchange for the Shares to be admitted to the official list of the UK Listing Authority and the official list of the Irish Stock Exchange and application will be made to the London Stock Exchange and the Irish Stock Exchange for the Shares to be admitted to trading on their respective main markets.

Eni steps up work in Iraq's Zubair oil field

Eni is stepping up work in Iraq's Zubair oil field despite ageing facilities there and plans to drill about 68 new oil wells through next year to increase production, according to Iraqi officials.

The plan to hike output to 700,000 barrels per day by 2013, includes drilling new wells this year, overhauling existing wells, a water injection program and repairing pipelines and old oil facilities, Iraqi officials at the field said. Zubair's production now is around 270,000 bpd.

Eni and its partners aim to drill around 42 new wells in 2011, about 26 new wells in 2012, and install about 125 electric submersible pumps during the next three years, Abdul-Jabbar Mohammed, Facilities Improvement and Construction Manager at Zubair told Reuters.

"The amount of work in this field is huge," he said. "This is an old field, production started in the early fifties. Some of its facilities are very old. We have overhauled and maintained some of it and the rehabilitation is continuing."

The development plan for the field also includes building five new degassing stations and revamping existing ones to cope with the increase in production, he said. "There is a plan to build five degassing stations. We have proceeded with the designs and we preparing the tender documentations," he said.

Drilling new wells, overhauling existing ones and installing electric submersible pumps are ways to overcome the natural decline of the field and boost production. Eni managed this year to hit its 10 percent increase in output from Zubair -- known as its initial production target -- that qualifies it to recover investment costs from Iraq. The initial production boost came mainly from rehabilitation of existing wells and using submersible pumps, but drilling new wells has just started, officials said.

Eni operates the field, one of Iraq's largest, in a consortium with Iraqi Missan Oil Company, Occidental Petroleum and South Korea's Korea Gas Corp. They expect it to reach 1.2 million bpd in six years.

The deal is one of a series aimed at developing major and untapped oil fields that could boost Iraq's output capacity to Saudi Arabian levels of around 12 million bpd from around 2.7 million bpd currently.

Jordan signs MoU for oil exploration with Russian Firm

The Jordanian government signed a memorandum of understanding (MoU) with the state-owned Russian Oil and Gas Joint Stock Company, Zarubezhneft, for oil exploration in the southeastern Jafr area.

The six-month agreement, which can be extended for another three months, was signed by the Director General of Jordan's Natural Resources Authority, Maher Henazine, and Zarubezhneft Deputy Director General Victor Gorshenev, an official statement said.

Under the terms of this accord, the Russian firm will conduct a study of the available technical, geological and geophysical data over 10,416 square kilometers before it submits a report to the government about the chance of oil in the region. The statement added that if the Russian firm found encouraging signs and wished to continue with the venture, the two sides would hold talks to conclude a production-sharing agreement.

The agreement is part of Jordan's drive to lure global oil firms to explore for oil in the country, Hejazine said during the signing ceremony.

NIOC explores gas reserves in the Oman Sea

"Exploration and assessment of gas reserves are the most important targets of the Exploration Department of the National Iranian Oil Company (NIOC) in the Oman Sea," said the Exploration Manager at NIOC, Mahmoud Mohaddes.

He added, "Relatively comprehensive seismic and exploratory activities in Oman Sea between the Strait of Hormuz and the Pakistan border had led to defining the exploratory targets of the National Iranian Oil Company (NIOC) in the area."

Stressing that exploration of gas reserves is the most important goal of the NIOC's Exploration Department, the official noted that to this end an exploratory contract had been signed with Research Institute of Petroleum Industry (RIPI).

"As existing geological structure of Oman Sea shows, the Sea holds less oil reserves in comparison to Persian Gulf," highlighted Mohaddes.

Under the signed contract with Research Institute of Petroleum Industry (RIPI), the institute will assess the capacity of gas reserves of the sea for a 30 month period under the supervision of the exploration department of the National Iranian Oil Company.

Sohar Refinery expansion project slated for 2015-end completion

Authorities overseeing the planned revamp and expansion of the Sultanate's flagship refinery at Sohar are targeting a four-and-a-half-year timeline for the engineering design and execution of the ambitious project.

Allowing for 12 months for the completion of the Front-End Engineering Design (FEED) and roughly three-and-a-half years thereafter for the execution of the upgrade, the expansion is slated to be completed by the end of 2015.

Sohar Industrial Port Company (SIPC), the landlord-operator of the Port of Sohar, has earmarked a substantial plot of land adjoining the existing refinery complex for the expansion. A significant portion of the plot originally allocated to the now-shelved Oman Petrochemical Industries Co (OPIC) venture, has now been set aside for the refinery expansion project.

Work on the upgrade is expected to commence in earnest with the signing today of a key contract for the FEED and Project Management Consultancy Services package. Leading international technology firm CB&I Lummus won the prestigious contract, valued at RO 19.192 million, in a keenly contested international tender.

Texas USA-headquartered CB&I Lummus is a member of the multinational engineering and construction conglomerate Chicago Bridge & Iron Company (known commonly as CB&I. The company specializes in undertaking the engineering, procurement, fabrication and construction of upstream and downstream process facilities for the oil and gas industry, including petrochemical plants, LNG liquefaction trains, regasification terminals, refinery process units and synthesis gas plants.

As the FEED and Project Management Consultant, CB&I Lummus will oversee the expansion and modernization of Sohar Refinery into a world-scale facility. The upgrade will not only ramp up the plant's output of refined petroleum fuels for the domestic and export markets, but also augment its ability to meet feedstock supply commitments to Aromatics Oman and Oman Polypropylene at the downstream end of the refinery.

Importantly, the expansion will contribute to a 60 per cent enhancement in the refinery's design capacity from the present 116,400 barrels per stream day (bpsd) to 187,774 bpsd.

For the first time, bitumen will be added to the refinery's portfolio of refined petroleum products and byproducts. In tandem with the upgrade, several new units will be added and integrated into the existing refinery complex. They include a 71,500 bpd Crude Distillation Unit, 96,800 bpd Vacuum Distillation Unit, 66,400 bpd Once-Through Hydrocracker Unit, 42,400 bpd Solvent De-Asphalting Unit, sulphur recovery unit, sour water stripper units, amine regeneration unit, and isomerization unit, among other systems. Utility generation and off-site storage facilities will be augmented as well.

One major objective of the upgrade is to improve the feed quality of the Residual Fluid Catalytic Cracking (RFCC) unit to achieve design on-stream factor for better capacity utilization of the refinery.

As part of its brief, CB&I Lummus will be required to, among other things, review the Basic Engineering Design Package (BEDP) for all the licensed units, prepare the BEDP for the unlicensed units, utilities and off-site facilities, and prepare the FEED for the total facilities.

In addition, the consultant will support the client during the tendering phase leading to the selection of an Engineering-Procurement-Construction or Lump-sum Turnkey Contractor for the execution of the project.

CB&I Lummus will also be required to explore any further synergy possible between the existing refinery complex and the new expansion refinery and Aromatics Oman.

The consultant shall address gaps, if any, in meeting the product quality norms by suitably designing the expansion units instead of revamping the existing facilities. The blended final products from both the refineries (existing plus expansion) shall conform to Euro IV environmental norms.

Sonatrach, BP and Statoil sign $213m deal with JGC

Sonatrach-BP-Statoil Association has signed a $213 million contract with the Japanese Group JGC for the optimization of In Ain Amenas gas production.

The contract covers the construction of a compression center Tiguentourine reservoir (In Amenas), which began production in December 2006, reported the Algerian Press Service (APS). Work was expected to start Friday, May 6, according to sources close the project, while full project handover is scheduled for August 2013.

A portion (30%) of this contract is in dinars and must see the Algerian companies involved in the project.

The scope of work comprises the construction of two compression lines with a capacity of 29.7 million M3 per day, installed upstream of the gas processing plant, also operational since 2006.

This world-class project is part of the implementation plan development of gas fields in the region operated in association with BP and Norway's Statoil through a production-sharing contract. Sonatrach did not disclose the share of each partner.

Shell nets $1 billion for African refining sector

Shell has confirmed it has agreed to divest the majority of its shareholding in most of its downstream businesses in Africa to Vitol and Helios Investment Partners for a total consideration of some $1 billion. Under the agreements, Shell will retain equity in two new joint venture companies, which will assure continued availability of Shell fuels and lubricants in 14 African countries under the Shell brand.

"This is a good deal for our customers as well as for Shell," said Mark Williams, Royal Dutch Shell's downstream director. "We will significantly reduce our capital exposure in line with our strategy to concentrate our global downstream footprint, and continue to provide the high quality Shell products that our African customers have come to trust and rely on over many decades."

"We are delighted to have concluded this agreement with Shell and Helios," said Ian Taylor, president and CEO of the Vitol Group. "Africa is a continent we know well.

These two new ventures allow us to invest in Africa and its fast-growing economies, and grow all the businesses under the umbrella of the world-class Shell brand for the benefit of our customers."

"We are pleased to enter into this landmark agreement with our partners, Shell and Vitol," said Tope Lawani, Managing Partner of Helios Investment Partners. "We believe that combining Vitol's world class supply expertise and Helios' deep understanding of the African operating environment with the Shell brand and a highly professional workforce will create significant new growth opportunities for the business, and will ensure the continued supply of high quality products and services for African consumers."

One joint venture will own and operate Shell's existing oil products, distribution and retailing businesses in 14 African countries, with the potential to add five more in future. Vitol and Helios will hold 80% of the venture and Shell will hold the remaining 20%.

A separate company, which will be 50% owned by Shell and 50% by Vitol and Helios, will own Shell's existing lubricants blending plants in seven countries and will manage macro-distributor relationships in each of the countries where the main venture operates, plus a number of others.

Egypt open for wind and solar energies

Believeing in the importance of alternative energies, Egypt had set a goal to produce 20 percent of its energy needs from renewable sources by 2020.

"The potential of solar energy in Egypt is virtually unlimited," said Paul van Son, CEO of Desertec Industrial Initiative (Dii), in an interview with the Daily News Egypt (DNE).

Dii, is a private industry joint venture established in July 2009, plans to use solar and wind to satisfy a "substantial part of the energy needs of the MENA countries and to meet about 15 percent of Europe's electricity demand by 2050."

According to Alaa Ezz, General Secretary of the Federation of Egyptian Chambers, the Egyptian government abolished all customs on equipment for renewable energy last month, which will lead to further lower costs and spur investor interest.

"We can help Egypt define a long-term strategy on renewables and define the best locations for large-scale facilities, and also to reinforce the electrical grid," added van Son.

"The 2020 target was set when the barrel [of oil] was $58. At that time, there were thoughts about subsidizing renewable energy. Today, there are several [renewable energy] technologies that are cost-effective and profitable to operate," Ezz told DNE.

Egypt already has several wind energy projects, such as the ones in the Zafarana farm.

Asked about companies already working on renewable projects, Ezz stated companies such as Sewedy, Taqa and Orascom and described them as "investors who have the long-term vision and understand that this is a golden opportunity."

He further highlighted that as an initial phase, the country should be considering 1,000 MW solar energy project that will "automatically move and create and industry. "We're looking forward to cooperating with Desertec to realize this — I will not say it is a dream, it is a reality that was a bit postponed," said Ezz.

Saudi Aramco to double power supply

Saudi Aramco, the world's largest state-owned oil company, plans to double its power-generating capacity to 4,000 megawatts by 2015 to supply all the electricity it expects to need to produce crude and natural gas.

The company is expanding power plants at existing oil and gas sites and aims to build generators for refineries and other facilities that are under development, Ziyad Al Shiha, the executive director of Aramco Power Systems, told reporters today at a conference in Dhahran, Saudi Arabia.

Saudi Arabia and other Persian Gulf oil producers are boosting power supplies to meet the demands of growing economies and populations. They are also looking for ways to use less of their valuable crude and gas as fuel for power stations.

Saudi Arabia may need to burn as much as three million barrels of oil a day by 2020 to generate power if it doesn't improve efficiency, Al Shiha said. This would far exceed the 800,000 barrels of oil equivalent that the Ministry of Petroleum and Mineral Resources estimates the kingdom's power plants use now.

"The growth in power and water demand is huge, and the investments required are huge," Abdullah al-Shehri, Governor of Saudi Arabia's Electricity and Co-Generation Regulatory Authority, highlighted at the Saudi Water, Electricity and Power conference in Dhahran.

Aramco is targeting an increase in company-wide generating capacity to as much as 4,700 megawatts from the current 2,000 megawatts, Al Shiha said, without giving a timeframe for the expansion. The additional capacity wouldn't be part of the national power grid and would make Aramco independent in power by 2015, he said.

Saudi Arabia has an overall generating capacity of about 45,000 megawatts, according to the state utility Saudi Electricity Company. This is likely to almost double to 75,000 megawatts by 2018 and rise to more than 120,000 megawatts by 2030, according to the utility.

The country could save "hundreds of thousands" of barrels and cut peak power demand by at least 10,000 megawatts over the next 20 years if it takes steps to curb oil consumption and conserve energy, the regulatory authority's al-Shehri said. In one such step, Aramco is developing more so-called co-generation plants that gather heat from the burning of fuel to make steam, which they then use to turn turbines and generate additional electricity.

The kingdom will need investments of more than $100 billion over the next decade to pay for power generation, transmission and distribution, al-Shehri of the regulatory authority said in Abu Dhabi, the capital of the United Arab Emirates, on March 28.

Drilling the Egyptian market

In the middle of the current social, economic and political unrests, people are having a close eye on the Egyptian market. Focusing on the petroleum industry, which contributes by 15 % of the national GDP and 45% of total Egyptian exports, more speculations and concerns about the sector's strategies dominate the scene. Satisfying the current need for in-depth analysis and forecast of the Egyptian petroleum industry, Egypt Oil & Gas presents its latest division the Research & Analysis Department to investigate the market and draw the future scheme

By Aly Salah

In addition to periodical reports, which utilize comprehensive in-house databases and industry models, the department's activities include business strategy and analysis services. Information needed for market entry, customer targeting, new products launching, market size gauging, in addition to business plan support are some of the services the department offers.

The department's latest report; namely, The Egypt Drilling Report 2011 provides an in-depth analysis of the drilling market from various perspectives. This year's report responds to many ambiguities that dominated the Rig market at large and affected the domestic market. A five-year analysis is provided, during the period from 2005 to 2010, to evaluate the industry operations flow before the eruption of the global economic recession, throughout the recession and during the recovery stage. The report, among other findings, found that, after a considerable boost in drilling operations in 2007 and 2008, the financial crisis negatively affected operations in 2009. Recovery, however, seemed to have been on the way in the first and second halves of 2010.

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

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

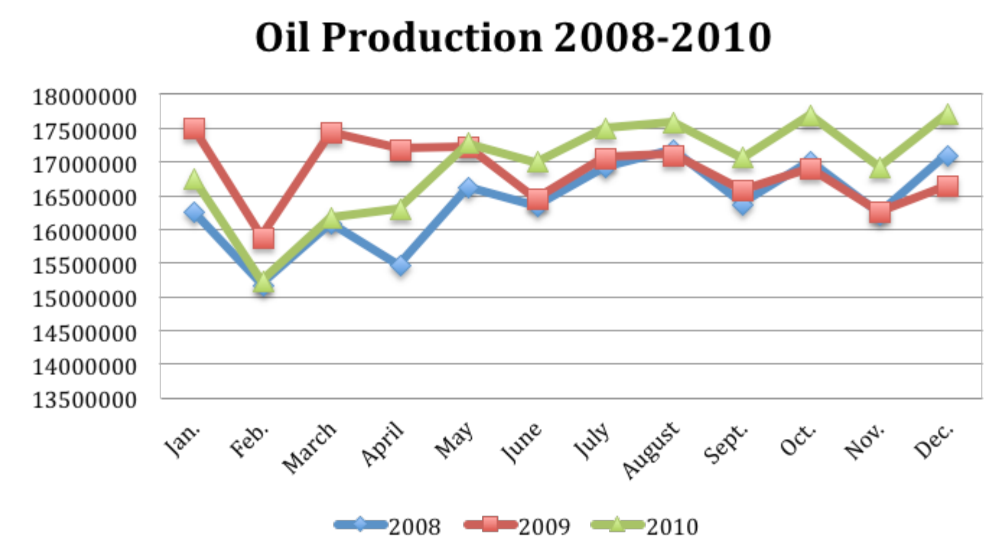
Additionally, the EOG Drilling Report 2011 examines the compatibility between the volume of drilling operations and the rates of production. Hence, the production section provides data about the country's production rates (per area, per year, per operator) in the period from 2005 to 2010.

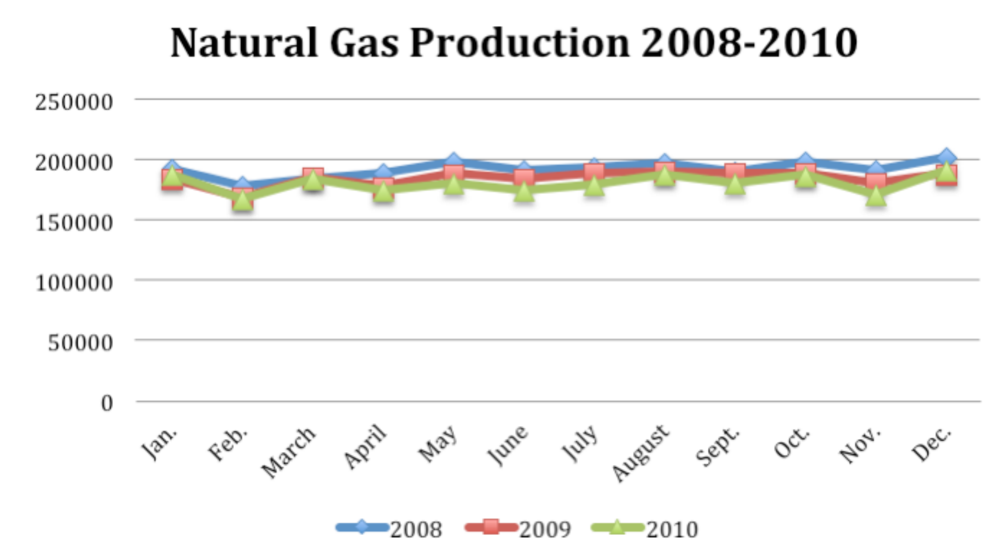
A forecast of the rig market and production rates over the coming five years are presented in this report as well. This section will include the estimations of the country's reserves and investment spending.

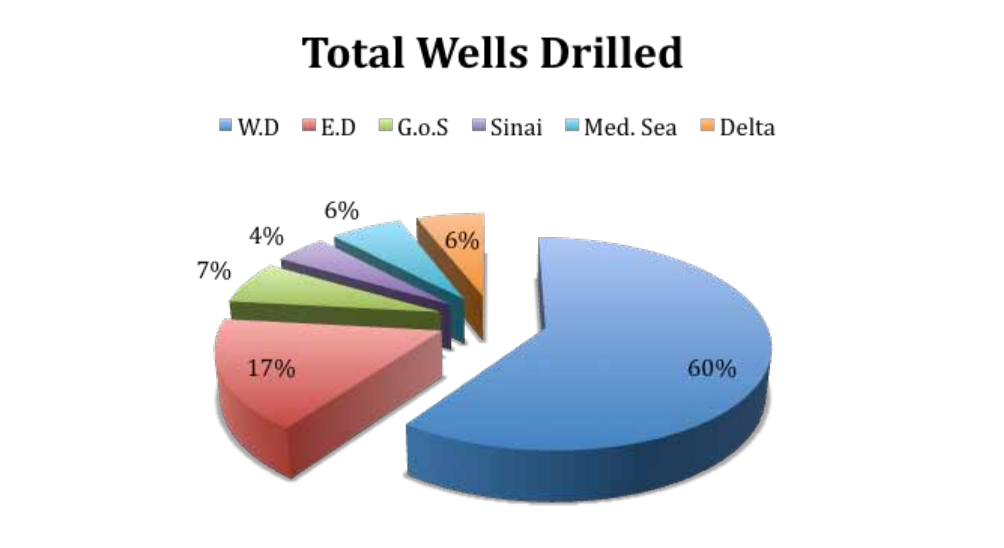
Throughout the past seven years, the volume of hydrocarbon reserves in Egypt witnessed an average 5% increase per year. This growth is mostly reflected in a considerable increase of natural gas reserves, while the crude oil and condensate reserves have been relatively constant. For instance, in 2008, natural gas reserves constituted of 74% of the country's recoverable discovered hydrocarbon reserves counted for 2147 million tons on an oil equivalent basis, while the crude oil had a 19% share of this volume and condensate reserves had the remaining 7%.

Over the coming 10 years, from the fiscal year of 2010-2011 to 2020-2021, an increase of approximately 13% of recoverable liquid hydrocarbon reserves more than the current figure is predictable. According to the Egyptian General Petroleum Corporation (EGPC) estimation, the total volume of cumulative crude oil and condensate production is expected to reach up to 4732 million barrels, and an average of 3000 million barrels of recoverable liquid hydrocarbon reserves to be discovered during this forecast period. The results of such discoveries would lead to a decrease of remaining recoverable liquid hydrocarbon to count for approximately 2600 million barrels, compared to the 2008 volume that totaled 4189 million barrels, 70% of which is crude oil reserves.

The findings in this article are a brief sample of the report's in-depth analysis. For more in-depth information visit http://egyptoil-gas.com/egypt_drilling_report_2011.php or call 02-25164776







Is the Egyptian petroleum sector Thriving or Surviving?

Egypt's recent revolution has caused chaos in the country's economy. From the tourism sector, which has seen a catastrophic 46% drop in revenues post-revolution, to the struggling real estate sector, major investments and injections of economic aid will be needed to get the country back on its feet, but what about the oil and gas sector?

By Kate Dennis

The potential of large profits has long led international petroleum companies to take risks that other investors would shy away from. As uprisings continue across the Arab region, international oil and gas majors continue to operate and grow investments in Egypt, Yemen, Syria and even Libya.

In Egypt in particular, petroleum sector players seem to have emerged from recent events essentially unscathed and more eager than ever to expand investments and activities in the local oil and gas sector. Far from being deterred by the recent circumstances, international companies, particularly those with a long record in Egypt that has seen them remain through other political upheavals, remain eager to invest and contribute to rebuilding Egypt's economy.

As first quarter earnings reports come in, a positive picture of Egypt's oil and gas sector is taking shape, with local operators posting increases in profits and production levels and announcing new undertakings and investments for 2011.

Apache Corporation

Apache, the largest foreign operator in Egypt, did not let recent events in the country slow it down. The company operated 22 rigs during the first quarter of 2011 and drilled 33 wells, including exploratory wells in the Tayim development least in West Kalabsha. Production remained constant throughout the quarter, increasing steadily as the political and economic situation in Egypt stabilized.

US-based Apache recently announced plan to raise its capital expenditure by at least 8% in 2011 provided that international oil prices remain high. Spending on new projects will be extended to the company's Egypt operations, where Apache has announced plans to experiment with horizontal drilling at its concessions in the Western Desert beginning later this year.

Apache holds 74,000 acres in the East Bahariya field and believes a shale formation there holds between 700 million and 2.2 billion barrels of oil, said Thomas Voytovich, Head of Apache in Egypt

Apache has a record of successfully extracting oil and gas from deep and difficult formations in Argentina and North America. The company's success in those markets has convinced Egyptian officials to allow Apache to undertake controversial shale-drilling operations in two locations. "We have two wells planned to test the idea here later this year," Voytovich said. "It's a step-change for us."

Dana Gas

Sharjah-based Dana Gas has confirmed that it will continue to invest in projects in Egypt, despite the fact that the Egyptian government owes the company over $148 million. The Sharjah-based company continued operations uninterrupted during the first quarter of 2011.

Dana Gas made a major natural gas discovery last May at the South Abu El Naga well in the Nile Delta, which led to the discovery of a new formation of hydrocarbon. The El Wastani formation may hold over 60 billion cubic feet of gas, according to the company's preliminary estimates.

A test drilling at the Abu El Naga well produced gas at a rate of 14.1 million cubic feet per day, while the El Wastani formation produced 5.9 million cubic feet per day of dry gas. Dana gas intends to prepare a development plan for these new discoveries and is considering linking them with a gas processing station during 2011.

The company is seeking to raise production from concessions in Egypt and Iraqi Kurdistan by 20% in 2011, according to CEO Ahmed Al-Arbeed.

BG Egypt

BG Egypt delayed projects in North Africa due to civil unrest in Egypt and Tunisia at the beginning of the year. Development projects at West Delta Deep Marine in Egypt, due to start later this year, were postponed "by several months," BG said in a statement. Gas demand in Egypt experienced "significant disruption." BG Group posted a 38% fall in net profit for the first quarter on a 5% fall in output due to unrest in Egypt and Tunisia. BG Group also said it expects development projects in Egypt's West Delta Deep Marine concession, which had been expected to go onstream later in 2011, to be delayed by several months.

"It was a challenging quarter for our exploration and production operations, with civil unrest in North Africa, flooding in Australia, an increase in UK tax and a shutdown in the North Sea," said Chief Executive Frank Chapman. "We now expect modest production growth in 2011. The plans for a ramp-up in production in 2012 and 2013, as well as our 2020 goals, are unaffected and are supported by significant progress with our growth projects in Brazil, the US and Australia, as well as further exploration and appraisal success in Brazil and Tanzania." Chapman said the company remained on track to deliver its growth targets through to 2020, with annual growth of 6% to 8% expected through to 2015.

The company has now resumed full operations in Egypt, where it produces nearly 35% of the country's total natural gas output, and recently announced plans to invest $250 million in three offshore exploratory wells in 2011-2012. BG Egypt plans to drill two wells in El Manzala block this year and one in El Burg before the end of 2010, according to Sami Iskander, BG's Head for Africa, Middle East and Asia. The company is also building a new pipeline and compression project in the West Delta, where it has 34 offshore wells.

Eni

Eni SpA, Italy's largest oil company with major investments in Egypt, continued to produce its daily average of 230,000 boe/d throughout the first quarter of 2011 as unrest swept the country.

Eni is now looking into the future with major plans for its Egyptian projects in 2011. Company Chairman Aldo Bonomi announced that Eni would invest $1 billion this year in research and development, building upon the company's longstanding tradition of investment in research and development in the Egyptian market. Bonimi added that Eni remains committed to current projects in the Dennis and Seth fields in the Mediterranean, as well as to pursuing developmental wells in the Gulf of Suez, Sinai, the Western Desert, and Timsah.

Melrose Resources

Melrose Resources has continued with exploration projects in Egypt undeterred by recent turmoil. The company completed the acquisition of a new 2 and 3D seismic survey over its South East Mansoura concession. With this information in hand, Melrose is working to finalize the data interpretation for this site to evaluate its potential for possible drilling during the third quarter of this year. A survey over the Mesaha exploration concession in southern Egypt has produced encouraging results, and the acquisition program should be completed in late June.

The company completed a pilot hold for its fifth horizontal well at West Dikirnis and this well is currently producing at a rate of 310 boe/d. Drilling is currently taking place on an 800 foot section of the well to drain a sand interval. The completed well is expected to come online in July at a production rate of between 600 and 800 boe/d.

Melrose has reduced 2011 production guidance estimates from 44 million boe/d to 40.5 million boe/d due to recent issues at the North East Abu Zahra well and other production variances. Aside from these minor setbacks, Melrose Resources remains positive about its prospects in Egypt. "We are looking forward to progressing our other exploration initiatives in Egypt, Bulgaria, Romania and France," Melrose Chief Executive David Thomas said in a statement.

TransGlobe Energy

Canadian firm TransGlobe Energy posted record production from its Egyptian operations during the first quarter of 2011, despite ongoing turmoil in the country. "The political environment in Egypt has stabilized and business processes and operations are returning to normal," the company said in a statement. TransGlobe has a 100% working interest and is operator of Egypt's West Gharib concession, a 50% interest in the East Ghazalat block, and a 71.43% stake in the Nuqra block 1 where it is also operator.

Egypt production averaged 11,218 barrels of oil equivalent per day (boe/d), a 16% jump from the same period the previous year. This included a 20% rise from January to March 2010 at the company's West Gharib concession to 8,738 barrels boe/d. April production at West Gharib jumped 58% year on year to 11,468 boe/d.

The company reported that it discovered eight new active wells West Gharib during the first quarter of 2011 and that it expects to close on a new 4,000 boe/d acquisition at the West Bakr concession, near West Gharib, in June.

The company's oil revenues for the quarter grew 59% to $97.995 million from $61.651 million. Net profit dropped to $2.889 million from $12.601 million due to a conversion to International Financial Reporting Standards that caused a $11.7 million impairment of exploration and evaluation assets at the Nuqra Block in Egypt, where two wells turned up dry.

TransGlobe will focus on the West Gharib area in 2011-2012 and has plans to expand the area's Arta and East Arta pools with new drilling operations. "The West Gharib project area is now the primary producing asset in the company's portfolio and continues to be the growth engine for the future," it said.

Sector Outlook

Egypt's stabilizing political situation, and support for the economy picking up in the form of assistance packages from the World Bank, IMF, United States, Saudi Arabia and European bodies, the country seems back on track to achieve economic growth and development.

These oil and gas sector companies certainly think so; major investments and new projects will bolster Egypt's image as an investment destination, provide jobs and help to support the economy as it recovers and prospers. With these international players continuing to pump investments into the country and present a positive outlook on Egypt's economic climate, recovery of investment inflows in other

The forgotten Human Resources!

Leading organizations in today's economic climate require a different mindset and new insights on how to get the most of their people. Without any doubt, a productive and engaged workforce provides the single greatest competitive advantage and as such, it is critical that managers find ways to optimize their workforce, implement the right employee engagement and development strategies, and make the best human capital investments

By Hanan Abdel Moneim, Assistant General Manager for Business Development, PMS

"Tough times can bring out the worst or the best in people and leaders can play a critical role in helping people see change from a positive, developmental perspective," said Brian Willman, Director of leadership development programs at London Business School.

Organizational climate refers to a set of work environment attributes, which can be perceived by the members of the organization. The attributes may be induced from the way the organization deals with its members and its environment or from the interaction between the members. An organization consists of related jobs. However, we cannot see or feel what the job is like; whether it is a complex interrelationship of tasks, roles, responsibilities, interactions, incentives, and rewards. Thus, in order to understand employees' attitudes and behavior on their jobs, it is necessary to analyze and categorize the complex interrelationships in terms of their constituent factors. Job performance is an extremely important criterion that relates to organizational outcomes and success. Organizational climate can influence both job performance and employee satisfaction. Because climate is best described as employee perceptions of the organization, it follows that the measurement of climate will be a function of employee attitudes and values.

Total Quality Management (TQM) focuses the efforts of all members of the organization to continuously improve all organizational processes and increase value to customers, while relying upon a clear vision of the organization's purpose. This depends on the removal of barriers both within the organization and between the organization and its various stakeholders. The management process in an organization can be described as the application of certain principles and techniques to achieve organizational objectives. The task of management can therefore be conceptualized as the achievement of specified objectives by utilizing the three basic resources of money, capital and people.

It should be noted that Egyptian workers have a high potential to acquire new skills in their jobs. The common misconception that Egyptian workers are principally motivated by monetary incentives thus needs questioning. The political and economic hardships over the last few decades have led them, in some cases, to become frustrated with the status quo. Lack of opportunities has forced some to manifest a less-than-ideal work ethic in some cases, but this is not unique to the Egyptians. Egyptians have developed a sturdy forbearance to difficulties, without compromising their yearning for increased prosperity and accomplishment.

Interaction of organizational culture, the human aspect of the organization creates a climate that should be suitable for the organization to perform in accordance with the acceptable performance standards, that is why we need to Compose a general frame to create a role of the organizational climate to realize the standard performance' employees.

And according to m my position in the Egyptian Petroleum Sector I observed the following:

- No clear short, medium and long term strategic plan in the most petroleum companies
- Despite the availability of forms of modern technology, but the organizational structure was tainted by many of the bureaucratic and official procedures
- Increase in conflicts, whether horizontal or plotter, which led to an increase in complaints from workers
- A decrease in participation by decision-makers by workers
- The existence of patterns of leadership depends on the completion of work in a traditional bureaucratic
- There is no real concept of task forces and no support from the Top Management

So, I address my window to our Excellency Eng Abdallah Ghorab Egyptian Minister of Petroleum to pay more attention to human resources specially the middle managers and to train them with different culture atmosphere in order to increase their ability to adapt to a new generation of high potential management in Egyptian petroleum sector.

Hanan Abdel Moneim has long years of experience in the Egyptian petroleum sector as she worked in GUPCO, Midor and PMS. Abdel Moneim has a B.A in Comparing Literature from Sorbonne and received two diplomas, HR Management and Total Quality Management from the American University in Cairo (AUC). In the coming month of November, she will be discussing her PhD thesis about Effect of stable organizational climate on employees' performance and quality standard at the Timisoria University in Romania.

New dawn has risen in Egypt

Representing one of the few Arab companies that have distinguished E&P operations in the Egyptian petroleum industry, Mohammed Al-Howqal, Chief Operation Officer of Kuwait Energy Company (KEC) believes that Egypt is still has unexplored opportunities and the best is yet to come

By Yomna Bassiouni

Quoting "Kuwait Energy seizes the opportunity of purchasing someone's stake to enter new markets", don't you think such move is risky?

It is risky and challenging, but Kuwait Energy follows a mid to long-term strategy as opposed to a short term one, to strengthen its position in the future. In fact, once the instability of a market or a country eases, a company can often be given priority and even appreciated as the company was there during difficult times. Moreover, our activities are not limited to exploration and production activities only, but also include social support and community activities. For instance, the Yemeni market is considered one of the most unstable and risky markets, yet we believe in Kuwait Energy that now is the right time to invest in this area. We share the same culture as the Yemenis and we also have experience in working with the Yemeni society, giving us access to work and grow in the country.

Talking about market unrest, how do you see the current instabilities of the Egyptian petroleum sector?

Personally, I believe a new dawn has begun in Egypt and I am very optimistic about the future here. From now on, Egypt will be focusing more on the welfare of the country, satisfying citizens' needs, attracting more investment and strengthening the Arabs cooperation. I am expecting more positive adjustments and incentives to be granted to speed up the wheel of development in all sectors. The market in Egypt is very big, holds lots of resources and is not fully explored. I am sure there will be more Arab and Gulf countries activities in the country in the near future.

It is important to focus on the role played by the private sector in the development process, as well as motivate the Egyptian youth so the country can benefit from their talents and capabilities along with helping them initiate their own small projects.

Has Kuwait Energy altered/postponed any operations amid the current political unrest in Egypt?

We have maintained our production output throughout the uprising; however we made a brief, precautionary 10-day pause at the peak of demonstrations in our exploration activities in Abu Sennan, in order to allow our employees to return home safely to their families. Since the end of the unrest, we have returned back to our regular exploration activities in Abu Sennan and at the same time, we have emphasized heightened awareness of safety and security among our staff through training.

Operating in Egypt, what kind of problems/barriers would you recommend to solve for a more effective working environment?

As a matter of fact, the workflow is relatively smooth; however it could be improved by shortening the approval processes. As you know, time is money and any delay could affect a company financially, which can add up on a long-term. I would recommend applying and receiving such approvals through online means, i.e. internet, which would definitely save time and money for all parties.

What are Kuwait Energy's latest operational updates in the Abu Sennan and Burg El Arab concessions?

In the Abu Sennan, we are drilling the ZZ-4 well, which reached 3,945 meter of its target depth of 4,434m on April 23. Preparation continues for a second exploration well and drilling is due to start during June 2011. Moreover, four exploration wells are planned in 2011.

In the Burg El Arab, we have completed a new surface unit installation on the BEA-7 well, which gave us a slight boost in production earlier this month. Three development wells are planned for the remainder of 2011.

What is the current daily production of Kuwait Energy?

For the first quarter of 2011, Kuwait Energy produced approximately 13,000 boepd.

How much is the Egyptian share of Kuwait Energy total production?

For the first quarter of 2011, Kuwait Energy's Egyptian operations contributed 60% of the company's total production.

In your opinion, where do you see Egypt's high-potential areas in terms of oil and gas production?

The Nile basin has high potential for gas while the Gulf of Suez continues to have potential for oil production. Kuwait Energy continues to focus on opportunities in undeveloped reserves of natural gas and oil and we have intensified exploration efforts to compensate for natural depletion in older fields. To date, we have been successful in blocks in the Western Desert and we believe this area will continue to be fruitful in both oil and gas finds.

How do you evaluate the effects of the current unrest in the Middle East and Africa on the petroleum industry?

It's not possible to make blanket statements about the region regarding the unrest. Each country is a unique situation. The impact of the unrest on Libya's petroleum industry has been much more challenging than the impact on that of Egypt, Tunisia and others. However in all cases, the faster conflicts can be resolved, the better it is for the local populations. Stability is also best for the petroleum industry but this is the case for all aspects of the countries' local economies. The resource potential of the region doesn't change because of unrest and investors know this. We acknowledge that there are challenges ahead for Egypt; however, our long-term commitment to the country means we maintain an extremely positive outlook on its operations and growth opportunities.

Has Kuwait Energy finalized its plan of a pre-IPO Rights Issue to raise USD100 million, and to target an IPO on the London and/or Kuwait stock exchanges mid 2011?

Asset	Daily Average Production (boepd)		
	Q1 2011	Q4 2010	Q1 2010
Egypt			
BEA	295	228	326
Area A	4,305	4,351	4,526
ERQ	3,210	3,692	3,218
Egypt Total	7,810	8,271	8,070
Oman	2,756	2,763	2,839
Yemen	695	717	867
Ukraine	1,181	1,020	1,123
Russia	543	602	522
Total	12,985	13,373	13,421

Kuwait Energy retains its aspiration to obtain a Stock Exchange listing, however as we've always said, timing will be dependent on market conditions.

What is the significance of such plan?

We are one of the fastest growing, MENA-based, indigenous exploration and production companies and it's inevitable that we should be looking for the appropriate listing to help finance new and potential acquisitions to fulfil our 2015 target of 75,000 boepd production and 400mmboe of reserves.

Established in 2005, what were the major achievements of Kuwait Energy over the past six years?

We're very proud of our consistent growth record since the beginning and being profitable since inception. Discoveries in Egypt and the wider MENA region, have enabled us to book robust growth in reserves and production since 2005. Eurasia has been a significant contributor to Kuwait Energy's growth between 2005 and 2010 and Eurasia has enabled Kuwait Energy to establish a track record of growing its 2P reserves.

Looking ahead, Kuwait Energy is now aiming to focus more on the MENA region in alignment with its strategy. One of our most significant achievements in this direction occurred last October when we were awarded the development contracts of two gas fields located the Diyala and Basra provinces of Iraq.

Does Kuwait Energy consider any future expansion in Egypt specifically and worldwide generally?

Our focus will remain on the MENA region. We have built strong relationships and a solid reputation in the region and there are abundant opportunities to explore and develop assets in the region. We are open to further expansion in Egypt and in the wider MENA region should the right opportunity present itself.

In your opinion, should the newly appointed Egyptian Minister of Petroleum honor or change the already signed agreements? Why?

Though the Minister is new to his position, he is not new to the agreements themselves. He served as CEO of EGPC for the two years running up to these political changes and knows these agreements very well. We expect that the Minister will follow the required channels for approval of agreements by the parliament and don't expect any major changes in this regard.

Having over 30 years of experience in the oil and gas industry, in your opinion, what are the factors needed to improve/develop the petroleum sector in Egypt? (As an investor, what are the elements you are seeking to strengthen your investments in the country?)

As an investor, I see the transfer of power to a stable government that meets the needs of the people as the most important factor in Egypt's future. It is up to the Egyptians themselves to determine how this will occur. Kuwait Energy has always prioritized the needs of local people where we operate because we recognize that they are the backbone of our operations and if they are healthy and thriving then so will our business.

Economic turmoil ... set our protests aside

There are no new foreign investments in Egypt… economic losses are in billions and the country will go bankrupt in three months… all are lies the Egyptian economy will flourish…etc., over the last few weeks contradicting announcements made by top officials about the economic situation in Egypt has raised lots of questions among investors and citizens as wellt

By Yomna Bassiouni

In various interviews, the Egyptian Minister of Finance Samir Radwan affirmed that the price tag for the labor unrest and political protests that have roiled Egypt since the outbreak of the mass demonstrations has reached $3.5 billion. "a total of $2.2 billion of the losses were in the tourism sector — an Egyptian mainstay that has been damaged badly since the start of the Jan. 25 revolution. The remainder is the cost incurred by the Treasury," he added.

Radwan declared that the Egyptian exports have dropped 40 percent from pre-Jan. 25 levels while manufacturing is limping along at 50 percent of its capacity. He said in a statement released by the Finance Ministry that the various strikes and protests are the "main reason" why the budget deficit was growing.

The finance minister has been shuttling to the U.S. and other countries trying to secure financial aid and lure investors back to the country. He requested $2.2 billion in "soft" loans from the World Bank and between $3 billion and $4 billion in similar loans, "without conditions," from the International Monetary Fund (IMF).

As a matter of fact, on the sideline of the G8 Summit, Prime Minister Essam Sharaf did discuss with the IMF Acting Managing Director John Lipsky prospects of cooperation between Egypt and the fund and also tackled an IMF initiative to offer between $3 billion to $4 billion to support the Egyptian economy over the coming four years. Sharaf reviewed an economic vision outlined by the government to meet all needs and requirements to get out of the "bottleneck" after the January 25 Revolution in order to create a stable Egypt.

Moreover, Sharaf seized the opportunity to meet with the French businessmen of main companies, such as France Telecom, Lafarge Cement and Vinci. This latter is a construction and electrical engineering company that undertook the Cairo Metro Line Three and expressed further interest to operate the new railway line to link Cairo and the 6th of October City. All Sharaf's attempts aim at luring more investments into the country and restore some economic balance.

In terms of foreign investments, the deputy chairman of the country's investment body said that foreign direct investment, which was forecast at $7 billion for the fiscal year ending June 30, was now expected to come in at between $3 billion to $4 billion.

Agreeing with Radwan's statements, Marshal Mohamed Tantawy, Head of the Supreme Council of Armed Forces (SCAF) warned of the deteriorating economic conditions threatening the Egyptian society. "Hazards include a drop in investment, shuttering and bankruptcy of many small and medium size factories, an almost complete halt in the tourism sector with a loss of nearly $1 billion every month, spending $3 billion a month from public reserves, a rise in the budget deficit to reach nine per cent, borrowing from the World Bank around $10 billion, a peak in unemployment, increasing professional demands at a time when production and exports are retreating, skyrocketing prices, and a lack in basic goods," highlighted Tantawy in his speech during the Police Academy graduating ceremony, held last month.

On the other hand, some economic analysts and social activists accused the SCAF and the current cabinet for misleading the public opinion by these economic scarecrows. In an article by Wael Gamal in El-Shorouk newspaper, he stated that Tantawy's figures are totally contradicting. "First worng number, as shown researcher young Mahmoud Kamal is the one of the budget deficit, which was pointed out that it will reach up to 1290 billion Egyptian pounds, while the figures estimated, according to Radwan, that will increase in the new budget in an average of 155 to 185 billion Egyptian pound, or between 9.9 % to 11.9% of GDP. Note that the deficit fell in the period from July 2010 to the end of March 2011 (including the months of the Revolution) from 7.2% in the same period the previous year to 6.8%, according to a report of Finance in April."

He further highlighted that the budget deficit is no longer sacred as it was before the global crisis to the economists. The projected deficit in the United States for example, is 10.9% and without a revolution.

Besides, Tantawy was attacked for declaring that foreign investments reached zero level. "According to financial reports, foreign are estimated 773.9 million Egyptian pounds in the period from January and April 2011," highlighted Gamal. In fact, some major corporation in the petroleum sector, such as BG and Apache announced lately the increase of their investments in Egypt.

Presently, the Egyptian society is suffering from a huge mistrust, especially between citizens from one side and the SCAF and government from the other side. As a result, the above facts are exposed for your review since we are not economic experts and we are not in a place to condemn anyone during this critical period of time.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5
Lets Meet & Compete

The overall Egyptian legislative structure

Throughout the time, the Egyptians have always believed in the rule and importance of Law in organizing their lives. Along the history Egypt has hosted numerous cultures and civilizations through concurrence and occupation since 332 B.C. This in term has affected the legislative structure. In the modern history, Egypt represents one of the strongest, well-founded and structured judicial and legislative systems in the world

By Marwan Al-Ashaal, Attorney at Law

The Egyptian legislative structure inspires its main principals from three different sources, which are the Islamic Shari'a, the Roman Code and the Napoleonic Code. As a Civil Law Regime, Egypt has various Laws for both the Private Laws and Public Laws. In application of the International Law, Egypt has adopted Dualism. The Social Democratic Constitution has maintained the principal of freedom of individuals, the separation and distinction of powers and authorities, and the identification and definition of its roles. But the questions that should be asked: what are the components of the State? What are the main powers of the State? What stages and categories is the Legislative system composed of? What are the main principals and pillars of contracts? Where do the Oil and Gas agreements "Concessions" fit in this structure?

The response to these queries is the main aim of this study herewith. The study is designed to present the main and basic structure of the Legislative structure in Egypt for non-Lawyers from an overall perspective.

What are the components of the State?

Any State is usually composed of Legal and Political components, which are;

A- Legal components, People, Territory and Sovereignty. The people are the inhabitants of the land and enjoy its citizenship. This means that visitors, foreigners and occupants cannot be considered people of a State. Territory is the land on which the people live and has political borders. Hence, occupied land or illegally possessed lands cannot be considered a legitimate composite of a State. Sovereignty is the ruling power which is usually a Government composed of a clutch that people elect to manage and protect the State. There are several philosophies in interpreting the relationship between the people and the ruling system. Egypt has chosen the Social Contract of Juan Jacque Rousseau, which mainly believes that people surrender a part of their freedom to an elected ruling system that organizes the relationship in the community and protects the State.

B- The Political components; it is quiet similar to the legal components, which are; People, Territory, Sovereignty and Recognition. Recognition; is the comprehension of the international community members to the State, Government or a territorial situation.

What are the main powers of the State?

In this regard, the main powers of Egypt are; The President, Prime Minister and The parliament. The Egyptian structure of the Government is a Cabinet consisting of 30 Ministers headed by a Prime Minister. The Parliament is Bi-Cameral, People's Assembly and Shura Council.

The Authorities in Egypt are The Legislative Authority, Administrative Authority and Judicial Authority. The Authorities are totally distinct and perform their functions in cooperation.

What are the stages and categories of the Legislative system?

The following diagram represents the different Legislative Power of every Authority and Power and the harmony between them.

I- The Legislative Authority (Parliament) issues Legislations in consistence with the Constitution. The features and characteristics of the Legislative rule are:

A- General and subjective; it addresses the public and not someone or a group in specific,

B- A rule for governance; it is made to out of the people's belief to organize and regulate the relations between them in the society,

C- Coupled with a penalty for breach; in case of intentional breach there is a penalty applied by the concerned Authorities.

As a Civil Law regime, the Egyptian Legislative has recognized two types of Legislations:

1- Subjective legislations; which apply to all the members of the society or any relevant issue that comes within its range of application, I.e. the Commercial Law, the Labor Law…etc.

2- Procedural or private legislations, which are usually issued as an expression of the State well to enter into an agreement for a public interest. This usually requires the representation and expression of people's will as owners to the public treasures and served by the public domain. The Parliament performs this expression through its members in the form of a Law. I.e. Concession Agreements, exploration and exploitation of minerals or treasures. (Further elaboration will follow in next points)

However, both types of Legislations are issued through the same process and presentation. Both types are published within the same time frames with the official gazette.

II- The Administrative Authority (Government) implements the Legislations and issues Regulatory Statutes Prime Minister's Decrees, Ministerial Decisions & Acts of Governors to regulate the execution of the Legislations in consistence with both the Legislation and the Constitution.

III- The Judicial Authority is the designated Authority to monitor, observe, supervise the application and deal with any dispute that may arise out of the execution, interpretation or issuance of Legislations and Regulatory Statutes.

What are the main principals and pillars of contracts?

In simple terms, Contracts are an agreement between two or more natural or moral persons to conclude a certain legal effect or outcome.

The main principals that a contract should properly include are: Acceptance, Aim of contracting and Subject of contract.

Proper and Valid Offer & Acceptance: is the expression of parties to approve the terms and conditions of a contract based on a free and expressed will and competence. For natural persons, the free will is the expression of approval either explicit or implicit without fraud or pressure. And for moral persons should be expressed in writing and free of any fraud or embezzlement. For States such expression is usually ratified and expressed in Legislation. Competence is the capacity of the contracting parties to enter into agreement, i.e. the legal productive maturity required for natural persons and the valid legal structure for moral persons.

Good Aim of Contracting: the aim of contracting represents the intention of contracting parties to enter into agreement and produce its valid legal effect. This means that if the parties to a contract agree to establish a business to traffic monies through illegitimate channels, such contract will include an illegal aim which switches an agreement from a contract to an organized crime if the jurisdiction considers such.

Legitimate Subject of contract: the subject of contract is the service or the object for which the agreement was mainly created. The subject of the agreement should legally relate to the contracting parties, i.e. in a sale agreement, the seller should have ownership to the subject of contract or legally represent the owner. On the other hand, the subject of contract should be allowed for contracting, i.e. a contract will not be valid if a natural person sells a Public Domain asset or a national natural resource without a legal representation from a Government or a Parliament.

Where do the Oil and Gas agreements "Concessions" fit in this structure?

The Egyptian legislative structure did not develop a Petroleum Regime or Law. It has long adopted the International Public Tender Offering system. The winning bidder will enter into an Agreement (Concession Agreement) for a certain geographic identified area with the Government for a period of, most likely, seven years for exploration and exploitation of Oil or Gas. The investor will establish a JV with the Government, represented for the exclusive purpose by EGPC or EGAS, in case of commercial discovery and production (as detailed in March edition article). Such Concession Agreement is considered a Procedural or private legislations. This type of Legislations is usually issued as an expression of the State will to enter into an agreement for a public interest. This requires issuance from the Parliament to include such Agreement as one of the Country Laws and puts it into force. The Ministerial Decrees issued from the Ministry of Petroleum or EGAS or EGPC are considered Regulatory Statutes that regulates the execution and performance of the Law.

In the coming article, we will thoroughly represent the legal effect of the revolution on the State components and its Legislations.

MidEast oil recovery enters a new phase

It has always been an axiom of world energy markets that Persian Gulf oil is both easy and cheap to produce. The crude that gushes from the scorching desert sands of Saudi Arabia, for example, is widely thought to cost less than $5 a barrel to produce, compared to the $70 price tag on raising a barrel from deep Atlantic waters. But, many of the Persian Gulf oilfields have been producing for decades, and an increasing number of the newer fields in the region contain heavier and harder to extract crudes. Squeezing out the remaining reserves from some existing fields and developing new more complicated ones will be costlier and will require more advanced technology. As a result, more Gulf countries are exploring the use of enhanced oil recovery (EOR)

Prepared by Mostafa Mabrouk, Vice Chairman Assistant For Economic Affairs, Ganope

The Middle East countries have varying levels of maturity in their fields," said Chris Graham, a Middle East analyst at Edinburgh-based oil consultancy Wood Mackenzie. While the major OPEC producers in the region mostly don't need to use EOR techniques, the situation is different for the smaller non-OPEC producers such as Oman and Bahrain. In those countries, "you've got maturing production profiles and each barrel becomes more difficult and more costly to extract," Graham said.

And even the large OPEC producers such as Kuwait have started to turn to EOR technology as they seek to develop new, more complex, heavy-crude reservoirs on which they will have to rely for future production growth. EOR tends to be needed most when oil is heavy--sometimes as thick as asphalt--and only flows when it is melted with steam, as is the case in some of Kuwait's yet-to-be-developed fields.

"EOR will become over the years an important component of what the industry collectively has to develop," said Jean-Luc Guizion, President of Exploration and Production at Total. "The luck of the Middle East countries is they have a lot of resources so they have ample time to plan the necessary EOR improvement."

According to technicians at one company with EOR operations, the methods can improve recovery rates in some fields by 40%, but at an additional cost of anywhere between $20 and $60 per barrel of oil. In the so-called Partitioned Neutral Zone, shared between Saudi Arabia and Kuwait, Chevron is involved in an EOR scheme aimed at developing heavier crudes using steam flooding. Abu Dhabi Co. for Onshore Oil Exploration is working on an EOR project involving carbon dioxide injection. And Saudi Aramco is working on plans to implement a CO_2 EOR demonstration plant in the next two years, although this project is, for now, aimed at trapping emissions rather than boosting recovery rates.

However, while Middle East producers are starting to take a closer look at EOR, many are handicapped by the reliance of the technology on gas, which is sometimes used as an injectant and sometimes burned to generate another common injectant, steam. Despite massive reserves in countries like Qatar, natural gas is in short supply in most other countries in the region due to its increased usage in power generation and in industries such as petrochemicals. Accordingly, there is a new focus on alternative technology solutions, including the use of solar power to generate steam for injecting into oilfields.

Middle East possesses most proven reserves

The Middle East continues to hold the majority of the world's proved oil reserves, although this percentage has declined in the past two decades, according to BP's Statistical Review of World Energy that was published last month. At the end of 1989, the Middle East held 661.0 billion barrels of oil, or 65.7 % of the world's proved oil reserves, and at the end of 1999, the region had 685.8 billion barrels of the world's proved oil reserves, or 63.2%. By the end of last year, the Middle East had 753.7 billion barrels of oil, or approx., 56.6 % of the world's proven oil reserves.

Iraq increased the official size of its proven oil reserves with new data suggesting its proven oil reserves have reached 143.1 billion barrels of oil, up from a previous 115 billion barrels. The figure, the first update since 2001, would mean Iraq has the world's second largest reserves according to statistics on the OPEC website. Iraq would take second place from Iran, which has 137.01 billion barrels of proven reserves, but would still be far behind Saudi Arabia, which has 264.59 billion barrels of proven oil reserves, according to OPEC figures.

These are not random figures; rather they were the results of deep surveys carried out by the ministry's oil reservoir company and international companies, which signed contracts with Iraq. Most of these figures were the result of surveys conducted by these international companies, especially at oil fields such as West Qurna and Zubair. Iraq has signed 12 deals with international oil companies to ramp up output capacity to about 12 million barrels a day from around 2.4 million barrels a day now. BP, Exxon Mobil, Shell, Lukoil, Eni, Total, Japan Petroleum Exploration and China National Petroleum Corp., or CNPC, have signed on to develop Iraq's vast oil fields. Iraqi"s oil minister said the largest Iraqi oil field was West Qurna. With total proven oil reserves of 43 billion barrels, it could be the world's second largest. West Qurna is divided in two--Phase 1 and Phase 2. Exxon Mobil led a consortium won a deal to develop Phase 1, while Lukoil led a consortium to develop Phase 2. Rumaila, which is being developed by BP and CNPC, is the second-largest Iraqi oil field, with total proven reserves of 17 billion barrels. Majnoon, which Shell won the right to develop, comes third with proven reserves of 11 billion barrels of oil. These three are in southern Basra governorate. The untapped East Baghdad oil field, near the capital, has proven reserves of 8 billion barrels, while Kirkuk oil field in the north has 8.9 billion barrels, the minister said. Shahristani said 71% of Iraq's total oil reserves are located in the southern Iraqi governorates, particularly in Basra. Some 20% of the reserves are in northern governorate particularly in Kirkuk, while the remaining 9% are located in central Iraq. The minister said the new reserve figure doesn't include the semi-autonomous region of Kurdistan in northern Iraq. The region's authorities have estimated reserves in their Kurdistan region to be around 40 billion barrels. The ministry will update Iraqi oil reserves on yearly bases from now on.

Global proved oil reserves in 1989 totaled 1006.4 billion barrels; a decade later, the world's proved oil reserves totaled 1085.6 billion barrels. At the end of last year, total proven oil reserves worldwide stood at 1333.1 billion barrels. The Central and South American regions experienced significant growth during that time as the Orinoco heavy oil play in Venezuela and Brazil's deep water play have expanded the region's production. Proved oil reserves found in the Central and South American regions have grown from 6.9% of the world's proved oil reserves in 1989, or 69.5 billion barrels, to 97.8 billion barrels in 1999, or 9.9 % of the world's proved oil reserves, to 198.9 billion barrels, or 14.9 % of proven reserves in 2009. All global regions except North America experienced growth in proved oil reserves from 1989 to 2009. This due to its tar sands production; Canada saw its proved oil reserves growth from 52.0 billion barrels in 1989 to 18.3 billion in 1999 and 33.2 billion in 2009. However, the U.S. experienced a decline from 34.3 billion barrels in 1989 to 29.7 billion barrels in 1999 to 28.4 billion barrels in 2009. Mexico's proved oil reserves experienced the largest decline out of North America, falling from 52.0 billion barrels in 1989 to 21.5 billion barrels in 1999 to 11.9 billion barrels last year. Declining output from Mexico's offshore Cantarell oil field in the Gulf of Mexico lies behind the significant decline in the country's oil reserves.

Middle East Gas Consumption Outpaces Production

Rapid economic growth in the Middle East has resulted in the consumption of natural gas outpacing production, according to the Ernst & Young report, The Global Gas Challenge. As a result, tension exists between the requirement to supply domestic markets to fuel economic growth and the desire to achieve higher revenues via export sales agreements. Forty-one percent of the world's remaining proved (conventional) gas reserves are in the Middle East, with 73% concentrated in Iran and Qatar. However, Iran is a net gas importer due to international sanctions, which have hampered Iran's oil and gas reserve development. While new reserves have been discovered in Iran, these discoveries have failed to translate into higher production as sanctions prevent foreign technology cannot be brought in to develop these reserves, and potential foreign investors for offshore oil and gas projects have been deterred by the complex structure of the buy-back contracts that Iran favors.

Under these deals, the international oil companies invest money upfront and then hand over a field to the National Iranian Oil Company once production starts; the oil major recoups its costs at a pre-agreed rate of profit, based on global oil prices and field production targets. Iran's oil and gas fields also have some of the highest decline rates in the world.

Gas production has increased in the region over the past decade but only accounts for 12 percent of current global gas production. Gas demand in the Middle East has been rising by around seven percent per annum and has outpaced growth in regional gas production. Domestic demand growth is being fueled by economic expansion, low gas prices, the switch from oil to gas for power generation and the injection of gas into oil reservoirs to enhance oil recovery. The International Energy Agency (IEA) reports that Middle East gas demand growth in the period to 2030 will be surpassed only by China.

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For over 100 years SKF has been and still is the world leader in anti-friction bearings. Over the last 40 years SKF Reliability Services division has developed a portfolio of services, products and solutions to help our customers improve performance of their assets and facilities as well as decrease running cost and improve reliability.

SKF Reliability Services division has been present in the Egyptian market for the past 20 years offering a range of services solutions and products to our industrial customers in all industrial segments.

The range of services and products offered are:

- Mechanical services and redesign
- PdM and machine condition detection and analysis services and products.
- Asset management services (maintenance strategy development and optimization)
- Inventory management
- Culture change management
- Process management and workflow development and optimization.

Case Study 1: Petrochemical Plant – Machine Condition Detection and Maintenance Optimization Program

A leading petrochemical company in the gulf area started realized that the rate of consumption of parts and the rate of stoppage due to unforeseen failures was much higher than the bench marks for the industry in balance of plant (BOP) equipment.

SKF reliability services were asked to conduct an investigation into the situation and the following elements were the focus of the investigation:

1. Pumps (Product and cooling)
2. Pipes and fittings (Integrity / efficiency / insulation)
3. Driver motors and couplings
4. Gear Boxes

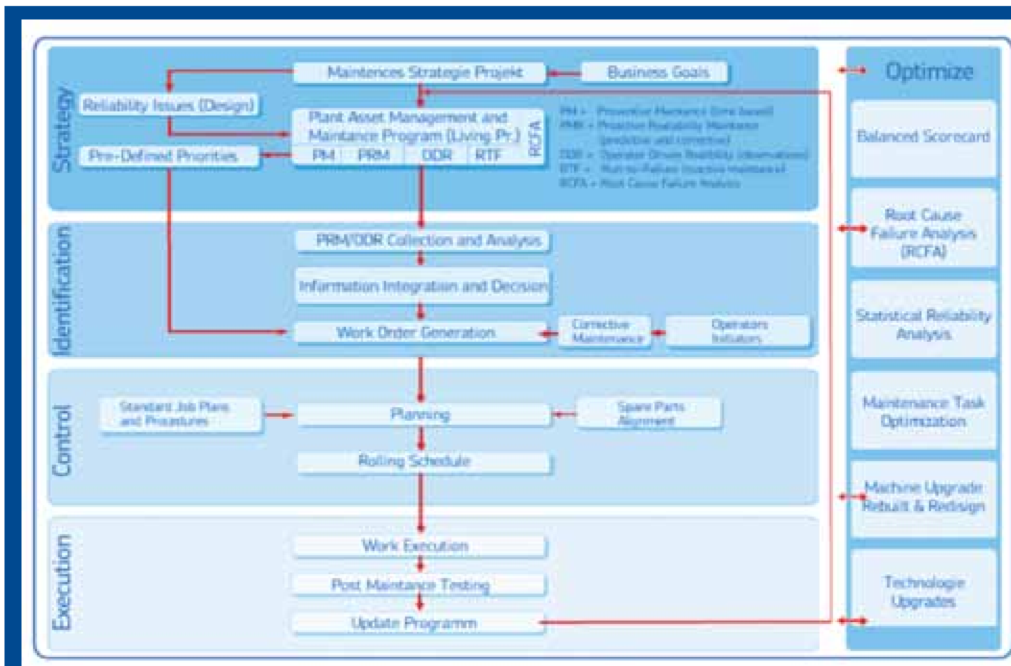
Findings:

1. Duplication of maintenance work and over maintaining of some assets
2. Under maintaining of some equipment due to high dependence on Preventive Maintenance (PM) and unbalanced maintenance program.
3. Improper use of lubricants (Too much and not the correct lubricant for the application)
4. Inefficient use of machine condition detection techniques (MCD)

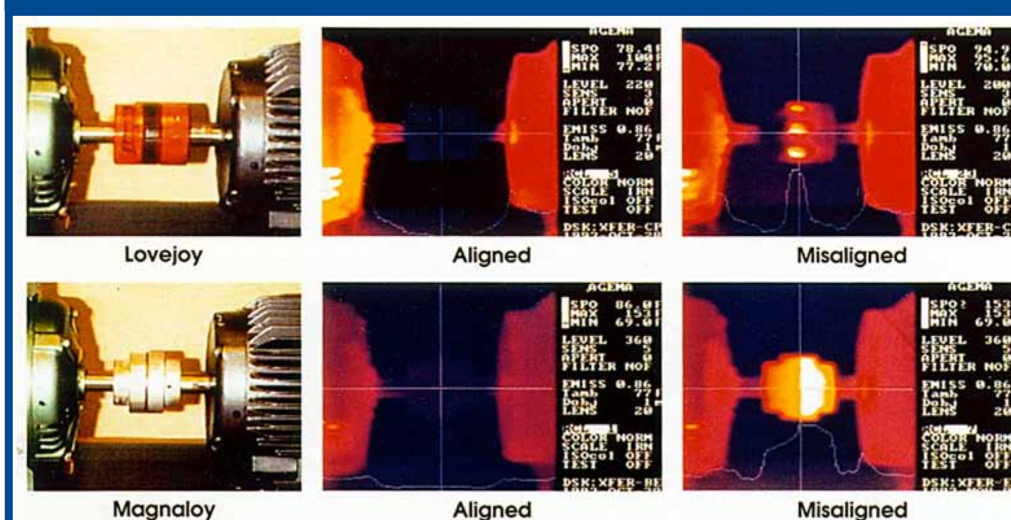
SKF reliability systems estimated that the customer company could achieve an improvement in down time cost, maintenance inventory and maintenance spending of 25% (20MM USD Twenty Million USD) in the first year then followed by (6MM USD 6 Million USD) saving year on year for the following four years based on the following:

1. Through balancing the maintenance strategy and increasing machine condition detection utilization maintenance will be more focused and less parts will be required as well as a significant decrease in downtime needed for maintenance.
2. Elimination of duplicate activities and balancing the activities for all assets based on criticality assessment (actual criticality of the asset).
3. Establishing a correct lubrication program, identifying the correct lubricants, identifying correct lubricant quantities per lubrication point, supplying metered lubrication equipment and training of maintenance technicians.
4. Reducing maintenance inventory by:

- Through better utilization of predictive techniques, better maintenance planning is possible eliminating the need for excess inventory.
- Implementing correct ordering and re-ordering procedures, eliminates excessive ordering of parts.
- Contracting inventory to parts suppliers, eliminating the need for in house stock.
- Optimizing the number of required spares through risk assessment and criticality analysis.



SKF Asset Efficiency Optimization (AEO) Model



Actual benefits realized by the customer company:

- Better prediction of failures through a holistic condition monitoring program allowing better planning of outages and optimizing of maintenance activities.

- Less need for maintenance inventory in parts. (Stock value less than 2% of Replacement Asset Value RAV).

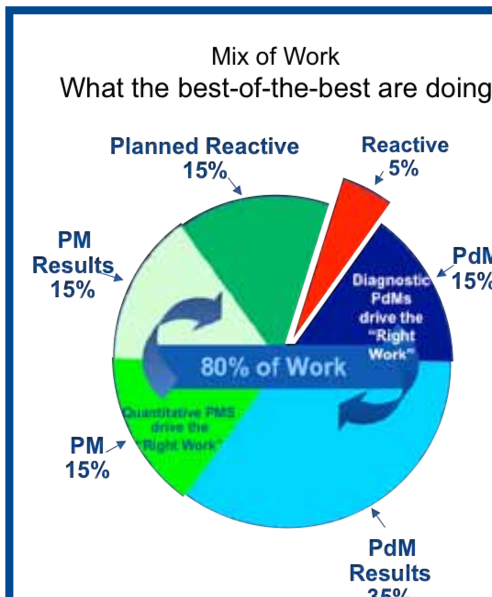
- Huge savings in maintenance cost and maintenance inventory values (22 MM USD Twnety two million USD in the first year alone (28% of maintenance cost))

Case Study 2: Precision Alignment - Petrochemical Company - water treatment unit

Customer observed repeated premature failure in motor / pump bearings and bearing seals.

SKF Reliability systems were asked to investigate and the investigation led to the following findings:

1. Average lifetime of bearings according to expected manufacturer lifetime expectations is 3 years; average lifetime of bearings on site was less than 1 year.



2. The patterns of wear on the seals were non-uniform and directional.
3. Power consumption rates for drive motors were higher than normal.

The conclusion was that the drive motors and the pumps required precision alignment.

After completion of the alignment for all motors and pumps the following results were achieved:

1 – Bearing lifetimes approached manufacturer expectations and increased by over 180% of previous condition; also wear in seals was significantly decreased.

2 – Downtime due to maintenance was decreased significantly.

3 – Power consumption was reduced by 10% for motors; in essence the savings on power consumption alone paid for the annual maintenance requirements of the motors and pumps.

Oil and Gas 2030

Meeting the growing demands for energy in the coming decades

By IBM

Despite increasing attention to alternative energy sources, the world can't forget about oil and gas as it struggles to meet ever-rising demand for clean and affordable energy. Technology is the most important force to increase the supply of more challenging oil and gas, and mitigate the environmental impact of energy production and consumption.

Globally unaligned government regulations, and uneven distribution of Oil and Gas sources and technological expertise will result in more diversified operations, M&A and deeper complementary partnerships. Looking toward 2030, companies need to develop, deploy and integrate strategic production and information technologies to enable key success factors: performance management, enterprise risk management, operational excellence, people management and adaptive business models.

Energy demand is expected to grow significantly in the next two decades, with increased demand mainly coming from emerging nations with increasing economic power. While governments and companies investigate alternative sources, Oil and Gas companies must continue to find new ways to develop and deploy technology that can improve exploitation of existing fields and at the same time improve exploration of new oil and gas resources.

To better understand how Oil and Gas companies can be successful in the changing future industry landscape, we interviewed more than 100 corporate level executives from different parts of the industry ecosystem, mainly focusing on the upstream segment.

Not surprisingly, respondents readily acknowledged that there are many forces impacting the Oil and Gas industry, from both the supply and demand sides. Respondents described the following trends as vital to plan for: the ability to operate in challenging frontiers, the need for a new skill mix, government impacts that are stricter and more diverse, the ever-growing demand for oil and gas, and increasing environmental concerns, as well as a shifting competitive field where NOCs are becoming more dominant and the IOC role is challenged.

The changing impact of key external forces

When asked to name the five most important external forces impacting their companies today, the top answer was technology progress (see Figure 1). While 61 percent consider technology progress to be an important external force today, a full 81 percent expect it to be important in 2030. For the same period, 42 percent of respondents included energy source availability as one of the top five external forces. Interestingly, they anticipate it will carry the same importance – no more and certainly no less – in 2030 as it does today.

GRAPH

Technology is seen as crucial to develop, deploy and integrate both production and information technologies to enhance recovery from existing fields, explore new hydrocarbon sources by entering new challenging operational frontiers and reduce environmental footprint.

Despite this awareness of the importance of technology, extensive industry research acknowledges that Oil and Gas companies have fallen short in deploying new technologies at the pace of general technology development. One respondent cited high costs and risk as barriers to commercializing technological solutions – even those available for more than ten years.

Shifting competition among industry participants

Today's Oil and Gas industry is comprised of a broad mix of participants that are not equally advantaged. Each has different combinations of: access to energy sources, consumer markets, availability of capital and/or special "know-how" and technology.

With limited energy source access, the role of IOCs is challenged, especially if NOCs reduce their demand on IOCs for technology and risk expertise. Forty-eight percent of respondents predict that by 2030, IOCs will diversify in related energy products and services. Forty-eight percent also predict that by 2030, IOCs will be complementary technology providers serving NOCs. In the future, we can expect more diversified operations, mergers and acquisitions (M&A), and deeper complementary partnerships resulting from IOCs' focus on niche segments, such as unconventionals.

NOCs are likely to expand internationally, also focusing on M&A and complementary partnering to gain access to energy sources and technologies to grow revenues. In particular, the NOCs with both great emerging demand in home markets and limited energy sources are expected to grow on the international stage to secure supply.

Seventy-nine percent of respondents agreed that service providers will keep their current important status as the key complementary service and technology providers to the industry, and that this will particularly be true for NOCs. But for service providers, competition might increase with emerging IOCs diversifying into technology services.

Preparing now for 2030

Based on analysis of our study findings and the wide-ranging changes that are already impacting the industry, how can Oil and Gas companies act now to position themselves for success in 2030?

Arguably, the best Oil and Gas companies in 2030 will not just be the biggest resource holders with the strongest balance sheets. For at least the next two decades, the future of Oil and Gas will be defined foremost by the geology of more challenging oil and gas sources. Those who remain competitive will find themselves developing and deploying strategic production and information technologies that enable five critical success factors: enhanced performance management, prioritized enterprise-wide risk management, focused operational excellence, effective people management and an adaptive business model.

How can IBM help?

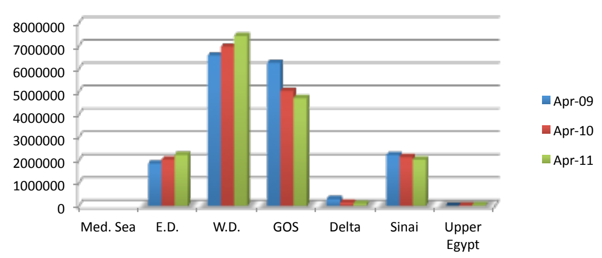
- Improved operations: Increase visibility, mitigate risks and lower costs across supply chains, improve production output by extending the life of oilfields, and improve refining and manufacturing efficiency
- Asset management: Optimize return on assets, and increase asset availability, flexibility and reliability as a response to market volatility
- Prioritize enterprise-wide risk management: Provide employees at all company levels with information required for proactive identification and prevention of risks.

To request a full version of this paper, e-mail us at iibv@us.ibm.com

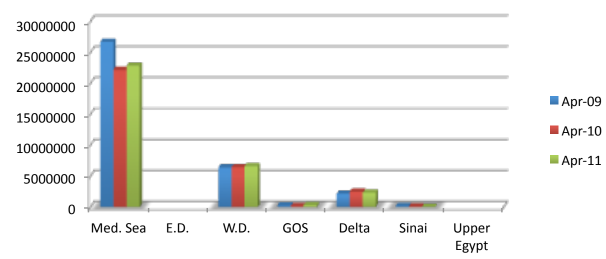
Egypt Statistics

	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	Apr-09	Apr-10	Apr-11	Apr-09	Apr-10	Apr-11	Apr-09	Apr-10	Apr-11	Apr-09	2010	Apr-11
Med. Sea				26663600	22146071	22815357	1788931	1465105	1419078	415686	385792	447636
E.D.	1851150	2026788	2233641									
W.D.	6565236	6960139	7431149	6390000	6410536	6604286	1423905	1609472	1689205	544693	481316	537246
GOS	6249471	5026408	4713051	210400	114464	292500	72788	67689	71658	196507	155594	192814
Delta	301885	144610	94783	2138000	2471786	2331071	162732	203340	184624	83838	94695	100260
Sinai	2219033	2134146	2021754	125600	67143	30000	67915	47793	35330	91812	70643	80681
Upper Egypt	3807	16838	30378									
Total												

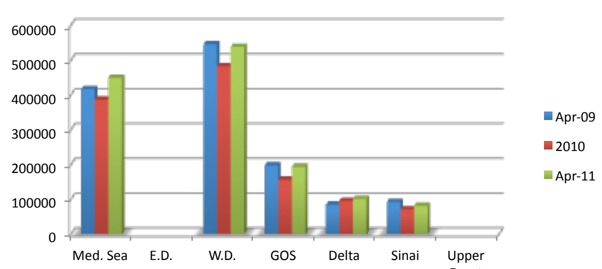
Oil Production April 2009 - 2011



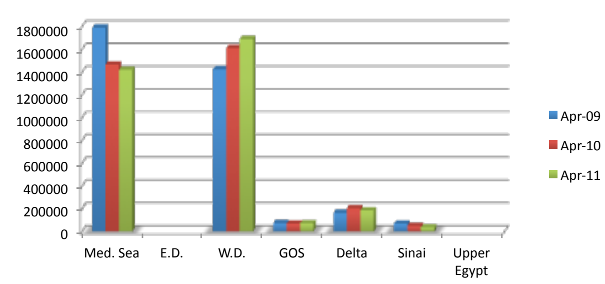
Equivalent Gas Production April 2009 - 2011



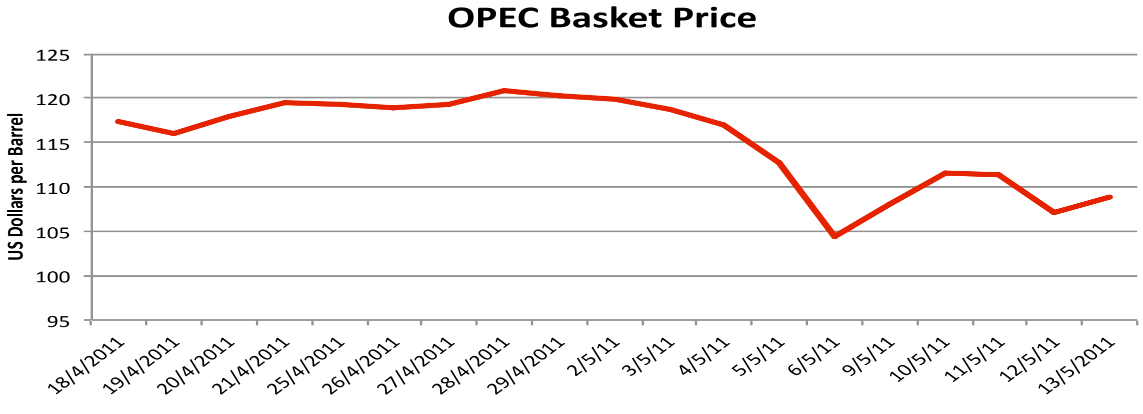
LNG Production 2009 - 2011



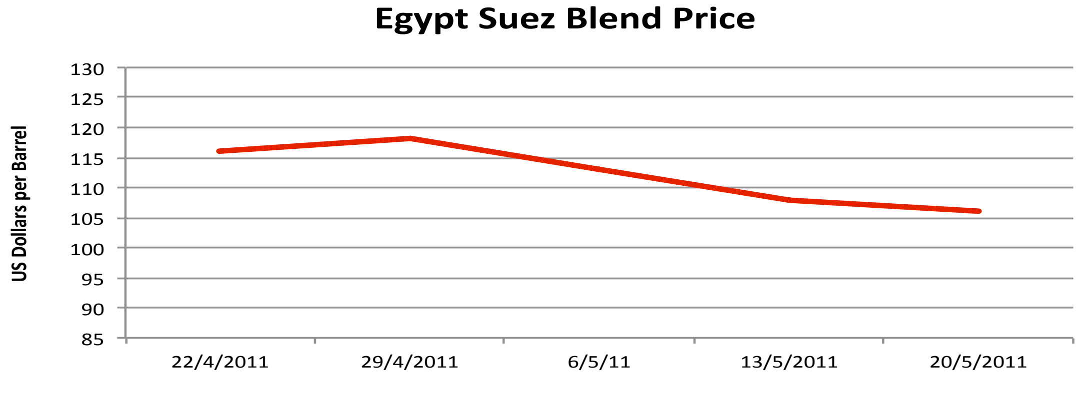
Condensates Production April 2009 - 2011



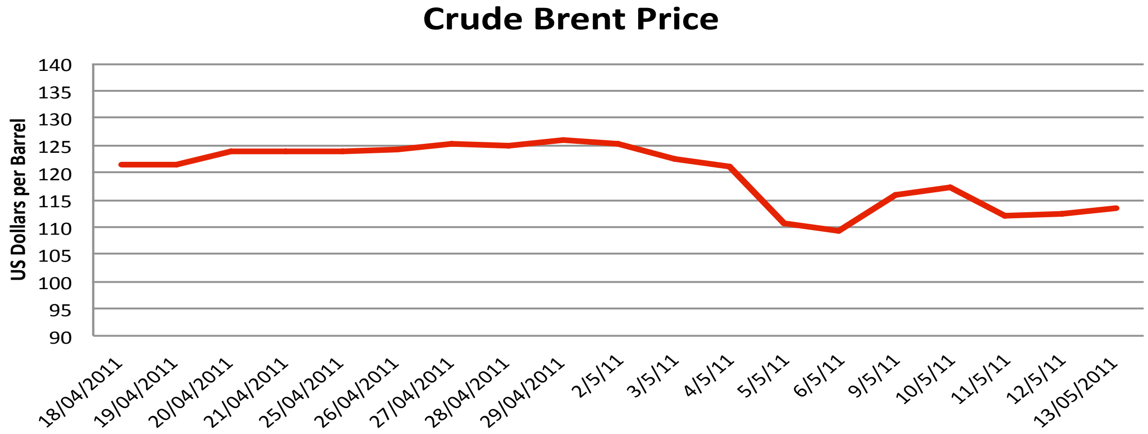
OPEC Basket Price



Egypt Suez Blend Price



Crude Brent Price



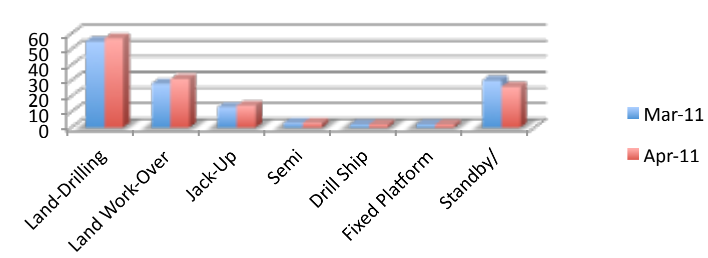
EGYPT OIL&GAS RESEARCH & ANALYSIS

Table 1 Egypt Rig Count per Area -March 2011

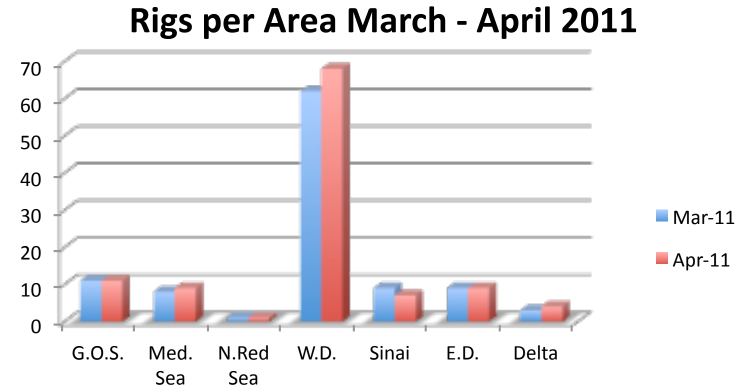
RIG COUNT

Area		Total	Percentage of Total Area
Area			
Gulf of Suez		11	10%
Offshore	11		
Land			
Mediterranean Sea		9	8%
Offshore	9		
Land			
N.Red Sea		1	1%
Offshore		1	
Land			
Western Desert		68	60%
Offshore			
Land	68		
Sinai		7	9%
Offshore			
Land	7		
Eastern Desert		9	9%
Offshore			
Land	9		
Delta		4	3%
Offshore			
Land	4		
Total		103	100%

Rigs per Specification March - April 2011



Rigs per Area March - April 2011



Average Currency Exchange Rate against the Egyptian Pound (March 2010/ April 2011)

US Dollar	Euro	Sterling	Yen (100)
5.940	8.410	9.561	7.128

Stock Market Prices (March 2010/ April 2011)

Company	High	Low
Alexandria Mineral Oils [AMOC.CA]	5.940	8.410
Sidi Kerir Petrochamicals [SKPC.CA]	5.940	8.410

INTERGAS VI

A term held amid critical conditions

With a proven track record of 10 years, the sixth term of this strategic conference was held in a very critical period of time for the Egyptian petroleum sector. Over nearly the past three months, specifically after the eruption of political and social unrests since January 25th, the Egyptian petroleum sector has been exposed to a wide public attack that has resulted in various administration changes.

Opening the 6th term of Intergas witnessed the participation of key figures of the petroleum industry on the national and international level. The opening session was inaugurated by Eng. Hassan Mahdy, Chairman of the Egyptian Natural Gas Holding Company (Egas), Eng. Ahmed Atallah, Chairman of Shell Egyupt, Eng. Mohammed Al-Howqal, Kuwait Energy Company Chief Operations Officer and Niveen El-Shafie, Vice Chairman of the General Authority for Investment and Free Zones (Gafi).

Eng. Hassan Mahdy, Chairman of the Egyptian Natural Gas Holding Company (Egas) denied that there are foreign companies that withdraw their investments from Egypt. "Some companies are in fact selling their stake in some concessions, however, this does not mean that they are withdrawing their investments from the country," Mahdy told Egypt Oil & Gas.

He further added that, "all companies are now working on increasing their production rates through the drilling of more exploratory wells in various concessions that cover all Egypt."

"Most of companies are implementing their annual plan and efforts are focusing on completing most of their operations in a short time of period."

Asked about the review of all gas contracts, Eng. Mahdy clarified that the Ministry of Petroleum is honoring all contracts signed with any other countries, but the current target is protect the national economy from any possible losses caused by the exportation of the Egyptian natural gas, specifically to Israel.

Mahdy revealed that Egas is planning to release a new bid round over the coming period of time, as an attempt to lure more foreign investments into the country.

On the sideline of the conference, Eng. Ahmed Atallah, Shell Egypt President told Egypt Oil & Gas, "there will be a new plan during this fiscal year, which aims at increasing the production and boosting the volume of reserves".

Atallah added, "We are now waiting for the approval of the budget to implement the plan."

As usual, Intergas VI played its role in founding the connection between all parties by addressing the unsolved topics, such as

- Promising potentials and development opportunities in Egypt
- Status of current oil and gas exploration and production activities
- Egypt's future in terms of crude oil and natural gas production
- New governmental policies that would lure more investments
- Financing of the hydrocarbon sector; evolving structures and new sources of liquidity
- Technological breakthroughs in the oil and gas sectors
- Petrochemicals in Egypt; challenges and expansion news
- Techniques and solutions for natural gas monetization
- Expansions and future plans for refineries

- LNG and Egypt - future possibilities and current challenges
- Local content initiatives in Egypt

Moreover, the Intergas VI seized the opportunity to shed light on business opportunities, best practice and industry updates throughout the Middle East and North Africa (MENA) region.

Intergas has always attracted the key figures of the petroleum industry, not only from Egypt, but also from all over the world.

Through the conference technical sessions, various critical and vital topics were discussed, which offered a large panel for the conference delegates to exchange views and expertise. The conference agenda, characterized by its topics variety, tackled the following topics; Acquisition Technology, Asset Integrity, Deepwater Technology, Drilling Technologies, Economies, Gas Handling, Health, Safety & Environment, Improving Downstream Operations, IT & Artificial Intelligence, LNG Technology, Offshore Technology, Petrochemicals Industry, Production Engineering, Project Management, Reservoir Evaluation, Risk & Uncertainty, Surface Facilities and Well Construction.

As for Intergas VI Exhibition, Each term of Intergas witnesses a remarkable participation increase. Representing the different sectors of the oil and gas industry, each exhibitor seizes the opportunity of Intergas to display his latest and unique products/services and serves a place among the industry players.

Outstanding activities of SPE Suez Canal University

Suez Canal University Student Chapter (SCU SC) started in 2004, but it has not become active until early 2009. This Society of Petroleum Engineers (SPE) student chapter has witnessed a great progress recently. SPE SCU SC is seeking the best, making the difference, trying to be the helping hand to our university students, and the link between theories and reality. Check out some of their outstanding events.

ECHO

Based on the SPE SCU SC slogan "Compete for The Elite", the team issued the third issue of the chapter's official magazine "ECHO" with a content variety, such as Case Studies, Young Researchers, and an interview with Mr. Wael Sharabash Drilling & Measurement Operations Manager, East Siberia Region, Russia Schlumberger.

Monthly Meeting

Aiming at enhancing the industry market here in Egypt with the latest technologies in the Oil & Gas industry, the SPE Egyptian Section holds a monthly meeting where industry experts meet together discussing the most recent technologies in the oil and gas industry. Also, these meetings play an indirect role in enhancing the relationships among the student chapters from one side and among the student chapters and industry experts from the other side. SPE SCU SC has attended the last meeting on May 18th, which was organized by WellDynamics, Halliburton Completion Tools. The main topic of the meeting was SmartWell® technology that in brief discussed the Completion technology developed to enable the operators to remotely monitor and control well inflow from multiple zones or injection down hole, at the reservoir, with no physical intervention, to permit optimization of well production and reservoir management processes. The presentation provided an overview of the purpose, main components and benefits which SmartWell® Technology provides to the oil and gas industry.

SPE International
Suez Canal University Student Chapter

Training for All Program

Believing in the importance of sealing the gap between the academic and the practical lives for engineers, the SPE SCU SC organizes every year the Training for All Program (TAP), which offered about 60 internship opportunities for the university students during the last season. Currently, the chapter succeeded to provide 21 opportunities at ECHEM (the Egyptian Petrochemicals Holding Company) for the refining and petrochemicals departments. Also, the SPE SCU SC provides 20 opportunities at Schlumberger, in addition to another 10 opportunities at Weatherford, and 30 opportunities at Sino Tharwa Co. for drilling department and petroleum exploration and production engineering program.

Well Cementing Course

The SPE SCU SC also held a well cementing session given by Eng. Said Zaki El-Zeghaty, Marketing Manager of Weatherford-Egypt, for the graduating students in order to help them in their graduation projects and to enhance their knowledge in this aspect by the help of one of the best well cementing specialized engineers in the Middle East. The 21st of May session was totally sponsored by Weatherford-Egypt.

Learning Week

SPE Academy has successfully launched the visual learning week, which aims at making a revision on technical materials by discussing and watching technical videos. The first session was for the sophomore students and it included rigs components, rigs types, rigs personnel, traps types and more. The second session was for the junior students and it included vertical and directional drilling, cement types and more. The third session was for the third year students and it included horizontal drilling and its completion, multilateral and its completion, and some other drilling problems like pipe sticking and its solutions.

Orphan's Day

Charity is one of the vital roles that SPE plays here in Egypt; from this concept, SPE Egypt organized its annual Orphan's Day, which drew a smile on the orphans' faces. The SPE SCU SC team participated in the last one organized by the section, which took place on Friday, May 6th. The event was sponsored by many well known companies; Schlumberger, Halliburton, Lufkin, Agiba, Pico, Weatherford, and Baker Hughes under the umbrella of SPE.