

In Review

Environmental Regulation: Foundations Set, What Next?

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Interview

An Interview with Weatherford's Country Manager Ahmed Abuzeid.

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EGYPT OIL & GAS NEWSPAPER

June 2013 Issue 78 24 Pages www.egyptoil-gas.com

Prospects for Renewable Energy in Egypt

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Summer temperatures are upon us and Ramadan is swiftly approaching. Both factors will inevitably contribute to increased energy consumption in Egypt. Given reduced production rates and widespread shortages, electrical blackouts have already begun.

Egypt Oil and Gas' June issue focuses upon the environment and the potential for renewable energy in Egypt. Our In Focus article outlines various forms of renewable energy and simultaneously addresses the absence of conservation and environmental awareness in Egypt. Our In Review article focuses upon existing environmental regulation within the oil and gas sector in an effort to highlight protocol and contingency plans in the event of an emergency.

Cumulatively, these articles examine the foundation of regulation as well as the way forward. It would seem for Egypt that pursuing alternative energy is no longer an option but a necessity.

This month, the editorial team at Egypt Oil and Gas also bids a fond farewell to investigative reporter Effat Mostafa. We would like to thank Effat for her hard work and enthusiasm. We would also like to welcome Maya Moseley to the editorial team. Maya has demonstrated considerable talent and productivity and she will be an invaluable asset to the editorial team at Egypt Oil and Gas.

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Editor in Chief
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Prices	Bullion Market		Oil Prices	
	GOLD	SILVER	BRENT	NYMEX Crude
	1484.65	25.19	103.44	92.07
			USD/BBL	USD/BBL
	-6.72%	-12.41%	-5.50%	-0.96%

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The Future of **UNCONVENTIONAL** Oil & Gas in Egypt Roundtable

Moderated By
Eng. Tarek El Barkatawy
Chairman of Egyptian General Petroleum Corporation

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Qarun Petroleum Company Drills New Wells



Qarun Petroleum Company is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache. As of the end of April 2013, Qarun's production rate of crude oil reached 1,455,236 barrels. The company has also recently completed the drilling of new developmental wells. The drilling operations occurred in the company's concession area in the Western Desert. Qarun's recent drilling projects include:

KARAMA-15

The KARAMA-15 oil-producing developmental well was drilled to a depth of 7,900 ft utilizing the EDC-47 rig. Investments into the drilling of the well are estimated at USD 1.17 million.

N.HARUN-2X ST-3

The N.HARUN-2X ST-3 oil-producing developmental well was drilled to a

depth of 9,095 ft utilizing the EDC-53 rig. Expenditures on the drilling process are estimated at USD 1.66 million.

HEBA-457

The HEBA-457 oil-producing developmental well was drilled to a depth of 6,750 ft utilizing the EDC-63 rig. Investments into the well are estimated at USD 759,000.

HEBA-350

The HEBA-350 oil-producing developmental well was drilled to a depth of 7,100 ft utilizing the EDC-64 rig. Investments surrounding the drilling process are estimated at USD 730,000.

ASALA-60

The ASALA-60 oil-producing developmental well was drilled to a depth of 5,800 ft utilizing the EDC-64 rig. Investments on the drilling process are estimated at USD one million.

Khalda Drills Wells in the Western Desert

Khalda Petroleum Company, a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache Corporation, has carried out drilling operations in the company's concession area in the Western Desert. Khalda's production rate of crude oil and condensates reached 4,016,345 barrels at the end of April 2013, while its natural gas production reached equivalent to 4,544,107 barrels. Khalda's latest drilling operations are:

TAYIM S-2 ST-1

The TAYIM S-2 ST-1 oil-producing developmental well was drilled to a depth of 13,150 ft utilizing the EDC-40 rig. Investments on the drilling process are estimated at USD 1.927 million.

AG-109

The AG-109 oil-producing developmental well was drilled to a depth of 11,190 ft utilizing the ST-6 rig. Investments on the drilling process are estimated to be USD 2.007 million.

ALEX N-6

The ALEX N-6 oil-producing developmental well was drilled to a depth of 15,940 ft utilizing the EDC-54 rig. Expenditures on the well are estimated at USD 7.729 million.

WD 33-6X

The WD 33-6X oil-producing exploratory well was drilled to a depth of 11,896

ft using the EDC-50 rig. Investments on the drilling process are estimated at USD 2.188 million.

AG-110

The AG-110 oil-producing developmental well was drilled to a depth of 11,352 ft utilizing the ST-10 rig. Expenditures on the drilling process are estimated at USD 1.424 million.

E.RZK-100

The E.RZK-100 oil-producing developmental well was drilled to a depth of 7,210 ft utilizing the EDC-66 rig. Investments on the well are estimated at USD 2.245 million.

SHAMS-13

The SHAMS-13 gas-producing developmental well was drilled to a depth of 13,650 ft utilizing the EDC-19 rig. Investments on the drilling process are estimated at USD 2 million.

SALAM-62

The SALAM-62 oil-producing developmental well was drilled to a depth of 9,000 ft via EDC-18 rig. Investments on the drilling process are estimated at USD 2.877 million.

UMB-222

The UMB-222 oil producing developmental well was drilled to a depth of 12,156 feet utilizing the ST-2 rig. Investments on the drilling process reached USD 879 million.

Cartoon



Tarek El Barkatawy is the New Chairman of EGPC

PETRODARA Petroleum Company Drills in the Eastern Desert

PETRODARA is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Dublin Corporation. The company's production rate of crude oil and condensates reached 413,916 barrels at the end of April 2013. It recently started drilling two new developmental wells in the Eastern Desert.

ARTA-16

The ARTA-16 oil producing developmental

well was drilled to a total depth of 3,138 ft utilizing the ST-7 rig. The drilling expenditures approximately reached USD 700,000.

ARTA-40

The ARTA-40 oil-producing developmental well was drilled to a total depth of 3,750 ft utilizing the ST-7 rig. The drilling expenditures reached approximately USD 622,000.

TransGlobe Completes Drilling of AL NAHDA-1X Well

TransGlobe Energy Corporation recently completed an exploratory well in the company's concession area in the Western Desert. The oil-producing exploratory well, AL NAHDA-1X, was drilled to a depth of 10,750 ft using the PDI-94 rig. Operational investments surrounding the project are estimated at USD 2.86 million. The well was abandoned after it was determined to be dry.



Story Board



Morsi Reshuffles Egyptian Cabinet

El-Mansoura Completes Drilling of S.DAMAS-2 Well in the Delta

El-Mansoura recently completed drilling on a developmental well in its Delta concession area. S.DAMAS-2, a gas-producing developmental well, was drilled to a total depth of 4,700 ft using the TANMIA-1 rig. Operational investments for the project are esti-

mate at USD 2.54 million. The company's production rates of crude oil and condensates reached 89,920 barrels while natural gas production reached 523,258 barrels equivalent at the end of 2013.

WASCO Drills S.FARASKUR-2 Developmental Well

WASCO Company, a joint venture between Egyptian General Petroleum Corporation (EGPC) and Dana Gas, recently finished drilling a new developmental well in the company's concession area in the Delta. The FARASKUR-2 gas-producing well

was drilled to a depth of 9,679 ft utilizing the AMAK-1 rig. The company's gas production at the end of April 2013. Egypt Oil & Gas has been informed that the volume of new investments on the drilling process reached approximately USD 1.714 million.

Norpetco Completes Drilling of ABRAR-17 Well

Norpetco, a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Sahari Oil Company, completed drilling on oil-producing developmental well, ABRAR-17. The total depth of the well 6,700 ft

was drilled using the ECDC-2 rig. Operational investments on the project are estimated at USD 1.76 million. The company's crude oil production rate reached 640,413 barrels at the end of April 2013.

West Bakr EPEDECO Concludes the Drilling of K-30 Well

West Bakr, a joint venture between the EGPC and TransGlobe Energy Corporation, recently finished a new developmental well. The drilling occurred in the company's concession area in the Eastern Desert. The K-30 oil-producing developmental well was

drilled to a depth of 6,070 ft utilizing the EDC-62 rig. Oil production rates reached 148,591 barrels at the end of April 2013. Egypt Oil & Gas has been informed that the volume of new investments on the drilling process reached approximately USD 1.43 million.

Petrobel Completes Drilling of 113-A-60 Well in Sinai

Petrobel is a joint venture between the EGPC and Eni. At the end of April 2013, the company's production rates of crude oil and condensates reached 3,602,730 barrels, while natural gas production reached equivalent to 7,481,066 barrels. Petrobel recently

completed the drilling of an exploratory well in its Sinai concession area. The oil-producing exploratory well 113-A-60, was drilled to a depth of 9,984 ft using the ST-3 rig. Operational investments surrounding the project are estimated at USD 4.628 million.

El-HAMRA Completes Drilling of NE AL-6 Well

El-HAMRA, a joint venture between EGPC and IPR oil Company, recently completed drilling a new exploratory well in its Western Desert concession area. The oil producing exploratory well, NE AL-6 was drilled to a depth of

7,200 ft using the EFAD-111 rig. Operational investments surrounding the project are estimated at USD 1.918 million.

El-HAMRA's production rate of crude oil reached 128,940 barrels at the end of April 2013.

Agiba Drills DORRA-12 Developmental Well

Agiba Company is a joint venture between EGPC (50%), Mitsui (10%) and IEOC (40%). The company recently began drilling a new developmental well in the company's concession area in the Western Desert. The DORRA-12 oil-producing developmental well was drilled to a depth of 6,505 ft utilizing the ST-8 rig. Investments surrounding the drilling process reached approximately USD 700,000. Agiba's production rate of crude oil and condensates reached 1,722,956 barrels while natural gas production reached 66,472 barrels equivalent at the end of April 2013.

The DORRA-14 oil-producing developmental well was drilled to a depth of 6,500 ft utilizing the ST-8 rig. Investments surrounding the drilling process reached approximately USD 584,000.

ROSA N-2

The ROSA N-2 oil producing developmental well was drilled to a depth of 9,200 feet utilizing the PDI-104 rig. Investments on the drilling process reached 2.507 million USD. Agiba production rates of crude oil and condensates reached 1,722,956 barrels and natural gas reached 66,472 barrels equivalent at the end of April 2013.

DORRA-14

Kuwait Energy Drills N-AHMED-1 and YUSR-38 ST Wells

Kuwait Energy Petroleum Company was established in 2005 as an independent company for exploration and production of oil and gas in the Middle East and North Africa. The company has recently started the drilling process for two new developmental wells, following its 2012-2013 drilling plan. The drilling operations occurred in the company's concession area in the Eastern Desert.

N-AHMED-1

The N-AHMED-1 oil-producing developmental well was drilled to a total depth of 3,655 ft utilizing the ECDC-1 rig. The drilling expenditures reached approximately USD 1.207 million.

YUSR-38 ST

The YUSR-38 ST oil-producing developmental well was drilled to a total depth of 3,822 ft utilizing the ECDC-1 rig. The drilling expenditures reached approximately USD 847,000.



Rashid Completes Drilling of SAPPH SC DA ST-2 Well In Mediterranean

Rashid Petroleum Company, a joint venture between EGPC and BG, recently completed drilling a developmental well in its Mediterranean concession area. The gas-producing de-

velopmental well, SAPPH SC DA ST-2 was drilled to a depth of 10,390 ft using the ENDEAVOR rig. Operational investments surrounding the project are estimated at USD 110.989 mil-

lion. Rashid's production rate of condensates 5,699 barrels while natural gas production reached 1,470,893 equivalent barrels at the end of April 2013.

Dublin Drills SHF-1X Well

Dublin Company has recently drilled a new exploratory well. The drilling operations occurred in the company's con-

cession area in the Eastern Desert. The SHF-1X oil-producing exploratory well was drilled to a depth of 5,653 ft via the ZJ-45L

rig. Investments on the drilling process are estimated at USD 895,000.

GUPCO Chairman Arrested for Bribery

Hisham Armouti, Attorney General of the Supreme State Security, ordered the prosecution of Eng. Abdul Qadir Abdallah Shahat, Chairman of Gulf of Suez Petroleum Company (GUPCO) and another defendant (the mediator in the provision of bribery). The defendants are accused of accepting bribes in exchange for contracts.

The Administrative Authority received information stating that GUPCO chairman was taking money on a monthly basis, from Dr. Sameh Mohamed Fakhri al-Din Afifi, professor at the Research Center for Groundwater and owner of Uni Tech, a company for environmental services. El Youm el Sabe3 newspaper reported that Shahat received an estimated 200,000 Egyptian pounds in exchange for Uni Tech being awarded contracts from GUPCO.

The administrative authority issued a legal permission to enable its members to arrest the defendants and record all conversations and meetings in which the bribery agreements took place.

According to El Youm el Sabe3, Abdul Qadir Abdallah Shahat was caught taking 10,000 pounds in his office as part of the bribe. After the inspection of Eng. Abdul Qadir's office, evidence was found against the defendants.



Apache Completes Drilling of WKAL-G-1X Well

Apache recently completed drilling a new exploratory well in its Western Desert concession area. The oil producing exploratory well, WKAL-G-1X was drilled to a depth of 17,285 ft using the EDC-59 rig.

Operational investments surrounding the project are estimated at USD 5.123 million. The well was abandoned after it was determined to be dry.



Choice Words



All options are on the table to free the kidnapped soldiers.

Omar Amer
Presidential spokesman



Islamic banking is tough in a high interest rate environment [like Egypt] as it is not cost competitive and nobody wants to see their wealth eroded.

Emad Mostaque
Expert in Islamic finance. He's the strategist



Qatar "did not ask for anything in return" for its aid.

Hamad bin Jassim al-Thani
Qatari Prime Minister



To address the inevitability of energy price rises, two things need to happen: we need industry reform to level the playing field and encourage more competition, and we need to help consumers reduce their energy usage and get more efficient.

Ian McCaig
CEO of First Utility



Egypt to Receive Oil from Libya, Iraq

Libya and Iraq have agreed to supply crude to Egypt to help it overcome its ongoing energy crisis. Egypt's oil ministry said it expects shipments from the two countries to start arriving in June.

According to Reuters, Tripoli is going to supply Cairo with a total of 12 million barrels of crude over about 12 months at world prices, but on interest free credit for a year, cited Libyan officials. They confirmed that the first shipment will be sent in June. The deal is worth about \$1.2 billion, about half of Egypt's annual imports which were \$2 billion, according to the country's central bank.

Iraq said in March that it has agreed to ship to Egypt 4 million barrels of crude per month at in-

ternational prices, but the payment will be deferred for three months with no interests incurred, reports the Wall Street Journal. The value of this deal is about \$400 million a month.

The deals with Libya and Iraq are much needed as Egypt lacks cash for meeting its energy needs. The government owes at least \$5 billion to oil companies, half of which is overdue. Its lack of finances has disrupted fuel shipments and created systematic shortages at gas stations. The energy crisis also threatens to trigger a food crisis as farmers lack diesel to run irrigation equipment.

The Reshuffling of Egypt's Cabinet

On Tuesday May 7th 2013, President Mohamed Morsi appointed nine new Ministers. Three of the appointees are members of the Muslim Brotherhood. Amr Darag, a top official in the Brotherhood's Freedom and Justice Party was named the Minister of International Cooperation & Planning. Yehia Hamed, Morsi's spokeswoman during his presidency campaign, became the Investment Minister. Ahmed El Gizawy who headed the Freedom and Justice Party's Agriculture Committee was appointed Minister of Agriculture.

Hesham Qandil, Egypt's Prime Minister told the media that many people outside the Brotherhood who were considered for the new Ministry positions had turned down the posts in the government. The Muslim Brotherhood will now control 10 of the government's 35 cabinet seats. A fourth cabinet post went to a known Islamist although he is not a formal member of the Brotherhood. Despite the fact that currently there are new figures heading the Ministries of Justice, Finance, Investment, Petroleum, Planning and International Cooperation, Legal and Parliamentary Affairs, Culture, Antiquities and Agriculture, "the reshuffle did not bring anything new to resolve the complicated political and economic issues in Egypt," said Mahmoud Bakry, executive editor-in-chief of El-Osboa newspaper. In addition, analysts believe this reshuffle is not sufficient to resolve Egypt's economic issues. Amr Moussa, Egypt's former Foreign Minister, and former head of the Arab League and currently one of the leaders of the opposition National Salvation Front tweeted that "The cabinet reshuffle has not added or changed much. We will need another reshuffle soon."



Economist Saad Hagrass, editor in chief of Al-Alam al Youm, stated that as a result of reshuffling, the Planning and International Cooperation Minister has been replaced with an engineer, who has no government experience and needs time to study the entire IMF loan file. Sherif Haddara, chairman of the Egyptian General Petroleum Corporation, was named as Minister of Petroleum, replacing Osama Kamel. Haddara will now be responsible for meeting the fuel needs of the cash-strapped state as summer approaches. The state, which subsidizes diesel, cooking gas and other fuels, has been struggling to finance energy imports.

The value of the Egyptian currency has declined due the country's shortage of foreign currency. The Egyptian pound has dropped more than 10 percent since the Central Bank started dollar auctions aimed at halting a rush of more than 60 percent in currency reserves since the end of 2010. Egypt has relied on loans from Qatar, Libya, Turkey and Saudi Arabia to prevent complete economic collapse, but those lenders appear to be reaching their limit. Essam El-Erian, of the Freedom of Justice Party, told Al Jazeera's Egyptian news channel "the aim of reshuffling was to confront the economic crisis and to conclude the agreement with the IMF with new spirit and a new vision, and to confront the energy crises."

BAPTECO Completes Drilling of NEAG 5-E Well

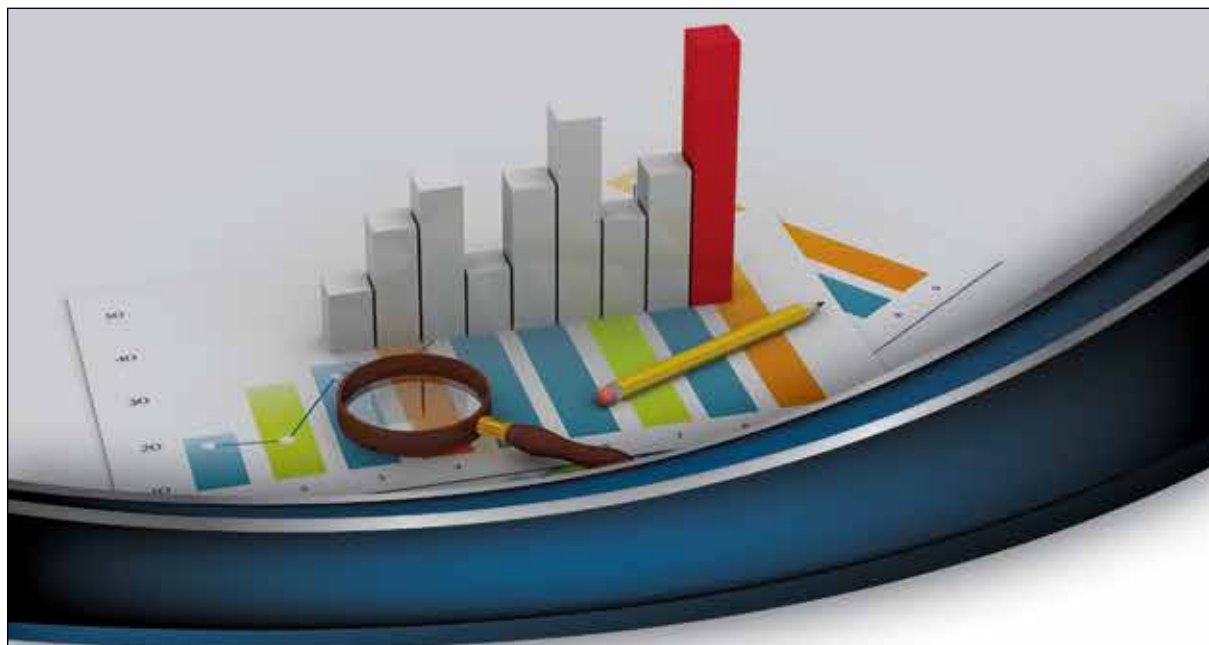
BAPETCO has recently completed the drilling of a new developmental well in its Western Desert concession area. BAPETCO is a joint venture between EGPC and Shell. The oil producing developmental well labeled NEAG 5-E was drilled to a depth of 4,152 ft using EDC-51 rig. Operation-

al investments surrounding the project are estimated at USD 4,628,000. Production rates of crude oil and condensates reached 1,059,922 barrels while natural gas production reached 1,926,964 barrels equivalent at the end of April 2013.

ENERGEAN Completes Drilling of EM-1 ST-1 Well

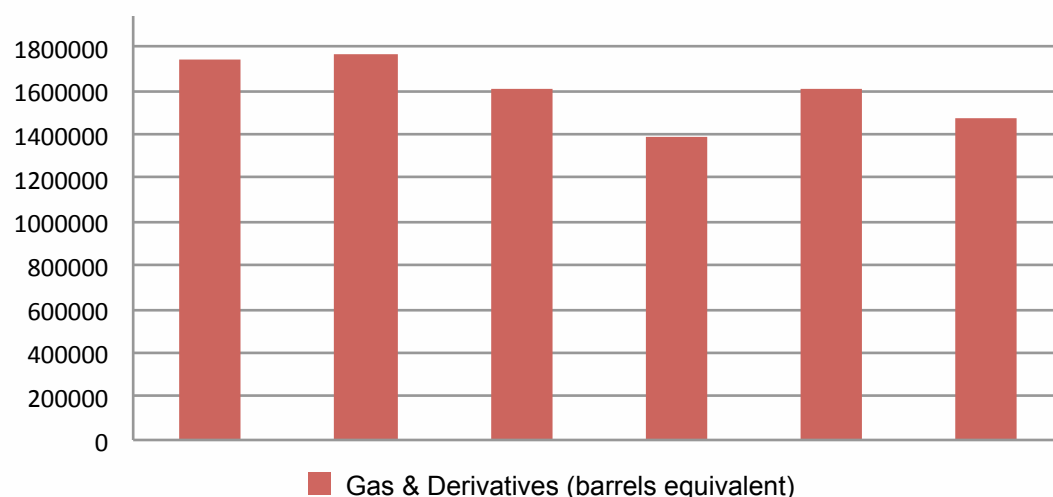
ENERGEAN has recently completed the drilling of an exploratory well in its Western Desert concession area. The oil producing exploratory well labeled EM-1 ST-1 was drilled

to a depth of 13,552 ft using EDC-10 rig. Operational investments surrounding the project are estimated at USD 576,000.



RASHPETCO Shows Slight Decrease in Production

Rashpetco Production Indicators November 2012 - April 2013.

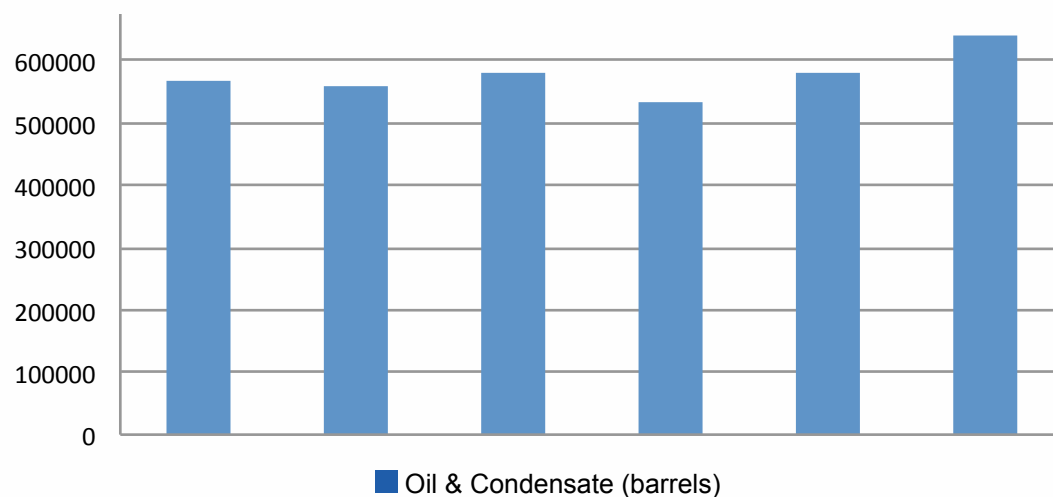


Rashid Petroleum Company (RASHPETCO) showed a slight decrease in production over the last six months. Production ended at 1,470,839 barrels equivalent in April 2013, down from 1,740,839 barrels equivalent in November 2012. There was a slight uptick in March 2013 with production

at 1,611,429 barrels equivalent, but over all production decreased over the last six month period.

NORPETCO Production Stays Consistent

Norpetco Production Indicators November 2012 - April 2013.



North Bahariya Petroleum Co. (NORPETCO) has seen steady production numbers over the six month period from November 2012 to April 2013. With the exception of April, where there was a slight increase in production, the other five months re-

mained consistent. In November '12 production reached 565,473 barrels and in April '13 production reached 640,413 barrels.



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Turkey Deepening Energy Ties with Iraqi Kurdistan



Tayyip Erdogan, Prime Minister of Turkey, announced that Turkey is seeking opportunities with Russian and American oil and gas companies operating in Iraq's Kurdistan region, reports Reuters. Erdogan reportedly discussed Turkey's energy ties with Kurdistan in meeting with President Barack Obama.

Turkey's increasing ties with Kurdistan may upset the Iraqi government, which claims the sole authority to control oil exports. The Kurdistan Regional Government is in charge of the autonomous Kurdish region. The Iraqi government views all

oil deals between companies and the Kurdistan Regional Government as illegal. Exxon, Chevron, Total, and Russia's Gazprom Neft have all signed exploration agreements with the regional government. The US government has expressed concern over the divisions between the Iraqi government and Kurdistan.

Turkey's Energy Minister Taner Yildiz said that the country would like to assist Iraq in constructing more pipelines, but the existing pipeline from Iraq's Kirkuk fields to Ceyhan, Turkey should be fully utilized.

Oil and Gas Reserves Increase Tensions Between Israel and Lebanon

The recent discovery of oil and gas reserves in the Mediterranean off the coasts of Israel, Cyprus, and Lebanon may increase tensions between Israel and Lebanon, informs Channel News Asia. The Israeli Tamar reserve, located offshore in the Mediterranean, began producing natural gas in April. According to Yodef Paritzky, Israel's former Minister of National Infrastructure and Energy, "the

state of Israel cannot be choosy in picking its energy resources... the security of energy is a major issue of Israel and especially when we are talking about natural gas."

Tensions are rising over the offshore reserves, as Lebanon and Turkey also lay claim to the reserves. Israel and Lebanon never agree on maritime boundaries, making ownership of these reserves contentious.

Lawmakers in Turkey Debate Law that Seeks to Attract Foreign Investors

Legislators in Turkey are set to debate a law that aims at attracting foreign companies to explore for oil and gas in the country, reports Bloomberg. Turkey currently imports almost all of its energy from abroad. The country spent USD 60 billion in 2012 on oil and gas, the primary causes of its USD 46.5 billion deficit.

The bill, if passed, would end the preferential treatment of state-run TPAO Turkiye Patrolleri AO. The proposed legislation would extend

license periods, cut the taxes on profits from 55 percent to 40 percent, and ease rules on hiring foreign nationals. Companies would also no longer be required to partner with TPAO for offshore licenses.

A similar draft law was previously vetoed in 2007 by former president Ahmet Necdet Sezer, for being contrary to national interest. The ruling Justice and Development Party support the current bill, making it likely to pass according to the Eurasia Group.

Leni Gas & Oil Dispute with Mediterranean Oil & Gas to Go to Trial in 2014

A public case management conference was held on May 17th, 2013, during which the court approved a timetable for the trial between Leni Gas & Oil and Mediterranean Oil & Gas, informs Pro-active Investors. The case is over the sale of Leni Gas's interest in the Malta Area 4. Under the timeline, the trial is expected to begin March 2014.

Turkey to Help Iraq Build More Pipelines

Iraq will not have enough pipelines to export its crude after planned production increases. Turkey is willing to help the neighboring country build new infrastructure, said Turkey's Energy Minister Taner Yildiz.

According to Turkish President Abdullah Gul, "new oil and gas pipelines that will be constructed parallel to Iraq's north-south lines would allow Iraq's resources to be shipped to both our country and to Europe", reports Reuters.

Previous discussions with Turkey and Iraq to build more pipelines have not yielded results due to differing positions on the Kurdish region of Iraq and on the Syrian crisis. At present, Iraq exports most of its oil from the south, with only a fraction of the 1.5 million bpd-capacity Iraq-Turkey pipeline from Kirkuk to Ceyhan being utilized.

Iraq, currently shipping 2.4 million barrels per day to other countries, has been described as the "next Saudi Arabia" as it has 8.5 billion barrels of crude reserves and it intends to increase oil export to more than 7 million bpd by the end of this decade, although the plans are threatened by political instability.

Planned production increases come mostly from the fields around the northern city of Kirkuk in the semi-autonomous Kurdistan region. However, Iraqi central government and the authorities of Kurdistan disagree on how to share oil revenue. Since last year, Turkey has been negotiating energy deals ranging from exploration to exporting directly with the Kurdistan Regional Government, but Baghdad claims that it alone has the authority to sign oil contracts.

Gas in the Mediterranean May Change Regional Dynamics

In 2010 a US geological survey revealed 122 trillion cubic feet (tcf) of gas and 1.7 bn barrels of oil in the eastern Mediterranean. The BBC informs that the oil and gas off the coasts of Israel, the Gaza Strip, Cyprus, Syria and Lebanon could help the countries' domestic energy needs, as well as their economies.

Thus far Cyprus has signed deals with international companies and Lebanon has revealed what companies will be permitted to bid for exploration licenses. Israel recently began production from its Tamar field, which holds an estimated 10 tcf of gas, enough to supply domestic energy needs for decades.

The development of these reserves in the Leviathan may reshape regional geo-politics. According to Yossi Abu, Chief Executive of Delek Drilling Company, "Israel can use the new natural gas discovers as a bridge to have a better relationship with our neighbors." According to Abu, they have discussed bringing part of the gas to a power plant in Palestine. Additionally, they are looking into supplying gas to Jordan as

well.

Uncertainty over the recent resignation of Lebanon's Prime Minister means the transitional government is currently unable to develop key policies. Additionally, the maritime border between Lebanon and Israel remains disputed. Syria and Gaza remain unable to develop their offshore gas due to insecurity.



Syrian Jihadist Seize Oil Fields

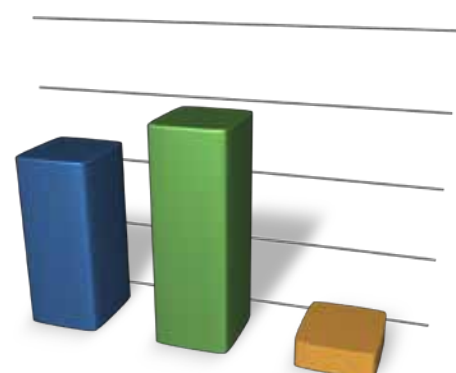


Al-Nusra Front, a Syrian jihadist group, are processing crude oil from oil fields they seized, reports UPI. Despite the removal of a 2011 European Union embargo on Syrian oil that was intended to aid moderate rebel groups, al-Nusra Front have not been able to sell much of the product due to the groups anti-Western stance.

Julian Borger, a security analyst, reported "in some areas, al-Nusra has struck deals with government forces to allow the transfer of crude across the front lines to the Mediterranean coast." Borger

went on to note that the revenue-sharing agreement by the government and jihadist groups suggests that both sides are "satisfied with the dividing lines."

The output and refining capacity of al-Nusra's oil fields remains unknown but is suspected to be only a fraction of the 400,000 barrels per day that was produced prior to the civil war. The Syrian government has also continued small-scale production, estimated to be less than 130,000 bpd by the International Energy Agency.



■ April-11 ■ April-12 ■ April-13

**Mediterranean
Rig Count 2013**

Equivalent Gas

April-11 April-12 April-13
22802679 23226786 21262500

Liquefied Gas

April-11 April-12 April-13
444636 420964 343015

Oil

April-11 April-12 April-13

Condensate

April-11 April-12 April-13
1420768 1297643 1258924

Total

9

Percentage of Total Rigs

7 %

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Nigeria's Crude Oil Production Drops and Earnings Fall to \$10.1 Billion

According to the Organization of Petroleum Exporting Countries (OPEC), the production of crude oil in Nigeria has been reduced from 1.746 barrels a day in March 2013 to 1.734 in April 2013. In the latest annual report for the Central Bank of Nigeria (CNB) the country's crude oil earnings in the first quarters of 2013 decreased from \$11.6 billion in the last quarter of 2012 to \$10.1 billion. According to the CNB the oil sector accounted for 29.1 percent of the total \$34.4 billion Nigerian foreign currency inflow through the economy.

Even through Nigeria's production is decreasing, OPEC experts said that the African economy as a whole is expanding quickly. This year in North Africa, the Tunisian economy is expected to register a 2.8 percent growth rate compared to 2.5 percent in 2012, which is mainly related to a rebound in tourism.

In addition to Tunisia, the report

stated that Egypt is expected to reach 2 percent economic growth in 2013 compared to 1.9 in 2012. Meanwhile, Sub-Saharan Africa is seeing higher growth levels, as commodity exports continue to increase. In total, developing countries (DCs) oil output is expected to average 12.34 mbpd in 2013 with an increase of 0.20 mbpd and a minor downward revision of 10 tbpd.



Simba Energy Inc. Signs Memorandum of Understanding With Ajax

In early May, Simba Energy Inc., the onshore pan-African oil and gas explorer signed a memorandum of understanding (MOU) with Ajax Exploration Ltd., to farmout a 66% interest and operatorship of Block 2A, onshore Kenya.

According to Simba's press release Ajax is to commit to a work program to drill one well for Simba representing a gross investment of up to USD 36.5 million. Ajax will pay Simba up to USD 3.1 million in back costs. In addition, Ajax will provide

a net carry of up to USD 12.4 million.

The Managing Director of Operations Hassan Hassan stated in the press release, "The MOU with Ajax provides Simba and its stakeholders with the opportunity to accelerate its exploration program in Kenya." While the Chairman of Ajax, Andrew Sharger, said, "This MOU represents a second step in our relationship with Simba for its Kenya exploration block."

Wood Group Wins Bonaparte FLNG Project

Wood Group Kenny, a French operator, gained a multi-million dollar engineering contract from GDF Suez for Bonaparte LNG project in Australia, informs Upstream Newspaper. Wood Group Kenny is set to carry out a subsea definition study as part of the pre-front-end engineering and design work for its first floating liquefaction facility off the Australian coast.

GDF Suez is hoping that a FLNG facility will be able to exploit gas fields in the Timor Sea through the

use of new technology that should allow for economically viable access.

In a statement a contractor said, "The Bonaparte LNG project represents a strategically important contract award for Wood Group Kenny as they are a new client developing their first FLNG project in Australian waters."

PT Sugih Energy Headed for More Exploration

PT Sugih Energy (SUGI) will begin work at the company's Akatara-2 exploration well in Lemang block, Jambi for around \$7 million, informs the Jakarta Post. A potential gas production of up to 11 million metric standard cubic feet per day was discovered in their Akatara-1 block. However, SUGI must wait for the results from the exploration of Akatara-2 before they can start commercial production. The SUGI president, Andhika Anindyaguna has been quoted as saying "We expect that Lemang block could start producing this year."

SUGI has no operating oil and gas blocks to date. A subsidiary called Eastwin Global Investment Ltd. owns 49 percent participating interest in the Lemang block in addition to PT Hexindo Gemilang Jaya with 51 percent.



China to Pay More for BP Indonesia Gas

China National Offshore Oil Corporation (CNOOC) will increase the price it pays for gas from BP's Tangguh project in Indonesia, the head of Indonesia's energy regulator said last month.

Under the 25-year supply deal signed in September 2002, CNOOC buys around 2.6 million tons of LNG per year from Indonesia at a price linked to oil prices and capped at \$25 per barrel. The terms were changed in 2006, but the oil price remained capped at \$38 per barrel and came to around \$3.35 per mmbtu, whereas Indonesia sells gas to Japan and South Korea for more than \$16 per

mmbtu and domestically for \$10 per mmbtu, reports Reuters.

The Tangguh terminal is Indonesia's third largest LNG facility, producing about 7.6 million tons of gas annually. There are plans to add 3.8 million tons of capacity by 2019, at least 40 percent of which would go for domestic use. In addition to BP, Tangguh contract partners are MI Berau B.V. (16.30 percent), CNOOC Ltd. (13.90 percent), Nippon Oil Exploration (Berau) Ltd. (12.23 percent), KG Berau/KG Wiriagar (10.00 percent), LNG Japan Corporation (7.35 percent) and Talisman Energy Inc (3.06 percent).

Austerity Threatens to End Clean Energy Boom in Europe

Several European governments are phasing out their renewable energy incentives more quickly than expected due to strict austerity measures. This is set to end the continent's clean energy boom, which is also being threatened by the development of shale gas.

New European solar-power installations are declining for the first time in more than a decade. New solar installations reached 17 gigawatts in 2012, which was a 24 percent decrease compared to the previous year. Wind-power installations are expected to level off as well because their growth in 2012 was mostly from orders placed before the European debt crisis turned critical in 2010, reports the Globe and Mail.

As Europe has been the biggest market for renewable energy, the decreasing boom has caused dozens of solar and wind power companies to file for bankruptcy or to undergo restructurings.

In order to protect struggling European solar-equipment manufacturers, the European Commission last month imposed punitive duties on solar panels imported from China. Chinese panels are about 45 percent cheaper than those produced in Europe and the country captured 80 percent of the European market in just a few years.

The "downstream" side of renewable energy business – the installers of wind turbines and solar power systems – are facing hard times too. While equipment prices have fallen, government renewable energy incentives have also decreased, which has caused installation market to slow down.

"Many of the incentives were designed to fall over time, but the reduction [has been deeper] because of austerity," said Michael Barker, senior analyst at the US solar-market research firm Solarbuzz. For example Spain, the biggest market for renewable energy in Europe along with Germany and Italy, halted subsidies for new energy projects more than a year ago. German Environment Minister said recently that he would try to cap subsidies.

In addition to this, the expected shale-gas boom in some European countries such as the UK is about to bring the prices of hydrocarbon-based electricity generation down, which will be yet another hit to the clean energy industry.

Some still remain positive about the future of clean energy though. The need to move to a low-carbon economy will keep renewable energy alive, assured Ian Temperton, advisory head of the asset manager and advisory group Climate Change Capital.

US Fracking Boom to Continue if Exports are Approved

US producers want to start exporting vast quantities of gas as LNG, a move that they say could create jobs and improve the country's trade balance. However, critics argue it will lead to an increase in domestic prices and environmental disasters.

Expanded drilling is moving the US closer to energy independence, with the country's gas production reaching an all-time high of 25.3 trillion cubic feet in 2012. Nevertheless, in recent months, production has started to level off because the abundance of gas is pushing domestic prices too low for producers, reports the Washington Post.

In response to this producers are pushing to export gas to Europe and Asia where prices are much higher. Companies such as Exxon Mobil and Sempra Energy are seeking permits for more than 20 export projects that represent

as much as 29 billion cubic feet of gas per day. If all the projects presently reviewed by the Energy Department were approved, it could result in the export of more than 40 percent of current US LNG production.

Business groups and lawmakers from both parties are urging president Obama's administration to approve the projects, saying it could create thousands of jobs, help the economy and reduce the country's huge trade deficit.

However, the expansion of gas exports would mean more hydraulic fracturing, which, according to many environmental groups, causes groundwater contamination and earthquakes. There is also opposition from consumer groups and some manufacturers that increasing exports could drive up domestic prices.

Scotland's Oil & Gas Sales Reach Record Levels

In the last two years there has been an 8.4 percent increase in Scotland's exports in its oil and gas supply chain that reached \$12.7 billion. The total oil and gas supply chain sales including sales through subsidiaries rose by 5.8 percent to reach \$26.7 billion, with exports to over 100 markets across the globe.

The Energy Minister Fergus Ewing stated "Scotland has established a global reputation within the oil and gas sector and I am delighted that these latest figures show an increase in international sales, which now account for almost 50 percent of total sales."

India Back on the Table for IP Gas Pipeline:

On May 8th 2013, sources associated with the Iran-Pakistan (IP) project told Business Recorder that after six years India has finally shown renewed interest in joining the IP pipeline project. In 2007, the Indian and Pakistani governments made agreements with Iran to pay a price of \$5 Million British Thermal Unit (mmbtu). However, India withdrew from the negotiations over price concerns.

Compared to the 2007 at \$6 per mmbtu, the gas price now is being offered at around \$11 per mmbtu. IP project's total length is 2,500 kilometers of which 1,100 kms is in Iran, about 800 kms in Pakistan and if India agrees there will be another 600 kms in Indian territory. This project is expected to benefit both India and Pakistan with much needed gas. The National Engineering Services Pakistan (Nespak) has already designed the pipeline corridor for extending the pipeline to India.

Caspian Drilling Buys a Stake in the Israeli Well



Shemen Oil and Gas Resources Ltd. has sold 5 percent of the rights to its Yam 3 well oil and gas exploration license to, Azerbaijan's Caspian Drilling Company Ltd (CDC), reports Bloomberg. According to the deal, CDC will bear 5 percent of the Yam 3 well's operating costs from the date of signing the agreement. CDC's investment in the well, located offshore Israel, will total \$6 million. If a commercial discovery is announced at the well, CDC will pay Shemen Oil \$2 million within 60 days of the start of the license's development, reports Globes.

Following the sale, which still needs approval from the Petroleum Commissioner of Israel, Shemen Oil will own 79.16 percent of the license, CDC will own 10 percent, Zerah Oil and Gas Explorations LP will own 7.5 percent and Zmih Investment House Ltd. will own 3.34 percent.

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Apache Plans Big Asset Sale

Apache announced last month that it will sell at least \$4 billion in noncore assets, using the \$2 billion of the revenue to decrease its debt and the other half to buy back shares.

The company's CEO Steven Farris did not specify what assets will be sold. "What we look at selling, are the things that have high cost right now, that have lumpy production in the future," he only noted. According to Forbes, likely divestitures are deepwater Gulf of Mexico fields and the assets in Argentina.

Farris has turned Apache into America's fifth-biggest oil and gas producer, but during the last two years, the company's share value has decreased almost 40%. Apache's shares are undervalued since its big capital spending, excessive acquisitions, low dividend payments and slower-than-expected growth have discouraged investors. They are also worried about the uncertainty in Egypt, from where Apache gets about 25% of its cash flow, as the country lacks money to pay oil producers.

Indonesia's Pertamina Sells \$3.25b Worth of Global Bonds

In May Indonesia's state-owned oil and gas giant PT Pertamina raised \$3.25 billion from the issue of US dollar-denominated bonds to international investors. A top executive told the Jakarta Post that this was all part of the company's strategy to finance its acquisition plans.

Afdal Bahaudin, the investment planning and risk management director at Pertamina stated that the bonds attracted investors from Asia, Europe and the US. However, he did not say if the funds from the sale would be used to purchase other overseas oil and gas blocks. Last May, Pertamina used funds from its last major bond sale to finance its acquisition of major oil and gas assets in Algeria.

Pertamina expects an additional 19,900 barrels per day of oil from its acquisition projects by the end of this year.



Brazil Petrobras Halt Construction of Comperj Refinery

On Tuesday May 15th, Petroleo Brasileiro, the Brazilian state-run energy giant or Petrobras told media outlets that it had been notified of a court order suspending environmental licenses for its Comperj refinery project in Rio de Janeiro state. According to Downstream Today, the court order required immediate suspension of work on one of the company's largest projects.

If finished the Comperj refinery will be able to process 165,000 barrels of crude oil per day by

the time the first phase is finished in April 2015. A second phase is due for completion by 2018, once completed it would double production. The suspension of work on the plant is a big blow to Petrobras as they need the refinery to reduce their dependence on expensive fuel imports that have undercut the company's profits over the past two years.

Second Refinery Gets Vietnamese President's Approval



Nguyen Tan Dung, Vietnam's Prime Minister, has agreed to construction of a large petroleum refinery in the Vietnamese special economic zone of Nhon Hoi, in Binh Dinh province. Thai Oil and Gas Company PTT will build the refinery.

The plant will cost an estimated USD 27 million to build and is expected to start construction in

2016 for a 2020 operational start date. Currently, Vietnam only has one oil refinery of 6.5 million mt/year that supplies only 30 percent of the country's total oil demand. However, PetroVietnam argues that the project threatens to create an oversupply of oil products in the domestic market, as they already have plans for another 10-million mt/year refinery by 2025.

Japan Seeks Saudi Oil for Expertise Exchange

Shinzo Abe, the Japanese Prime Minister visited Riyadh this month to secure ties with Saudi Arabia. He is trying to lift Japan out of the economic crisis and reduce its reliance on nuclear energy. Abe went to Saudi Arabia to sign a pact with Crown Prince Salman bin Abdulaziz Al Saud to strengthen energy, economic, and security ties. In return, Saudi Arabia gains new consumers for its crude oil. Michael Penn, the founder of the Shingetsu Institute for the Study of Japanese-Islamic Relations in Tokyo stated "The exchange is: We give you energy at a reasonable price, you help us build a prosperous developed society." According to the International Monetary Fund, Japan is also the third-largest buyer of Saudi Arabian crude due to the fact that Japanese imports from the emirate are up 60 percent from 2010.

Meanwhile, the Kingdom's demand for energy is growing and Riyadh is looking for alternative sources. Last year, Saudi Arabia consumed 3 million barrels of oil a day, just less than a quarter of its current production capacity. The government estimates that demand for electricity is growing at a rate of 8% a year, and roughly half of power supply is generated using crude and fuel oil. During a visit to the Kingdom in February, Japan's Trade and Industry Minister, Toshimitsu Motegi, suggested that his country could help transfer civilian nuclear technology to Saudi Arabia by helping to construct power plants.

Commodities in the Battery and Green Tech Industry

Vanadium is becoming increasingly valuable. Vanadium is a metal that can be extracted from shale rock and used to make powerful, long-lasting batteries for cars, homes and utilities, and is now considered a precious commodity. Batteries are essential today as they directly power electric cars and buses in addition to indirectly powering houses and other big buildings by storing solar and wind power. They balance out renewables that produce energy intermittently so consumers can have power all day and all night.

Bill Radvak, the president of American Vanadium stated, "It's the dawn of energy-storage age... There was no major battery market three years ago," adding that it is changing quickly. American Vanadium will be partnering with the German Cell-Cube battery manufacturer Gildemeister.

There are some obstacles that batteries can face such as cost and safety. For example, in March batteries caused problems in two Mitsubishi vehicles at an assembly plant that caused a hybrid Outlander car to overheat and an all-electric i-MiEV to catch fire during testing. "Batteries continue to be a challenge," especially those for electric vehicles, Esther Takeuchi, chemistry professor at SUNY Stony Brook, said at the Advanced Energy 2013 conference last month in New York City. "Things aren't where we'd want them to be, but they're getting closer." For example, American Vanadium maintains that batteries that contain vanadium are more powerful and last longer than lithium-ion ones. Moreover, they can be used for projects of all sizes, everything from large grid-scale projects to smaller batteries that power electric cars.

Wind Power Gains Ground in Africa

Wind power, which currently constitutes one percent of Africa's electricity production, is gaining popularity. Countries in the MENA region particularly Egypt, Tunisia and Morocco have been fore-runners, but now Sub-Saharan Africa has followed their example, reports France 24. In the past various African government have expressed interest in wind power, but increasingly the private sector is expressing interest in wind energy. This year the

region's first large commercial wind farm started producing in Ethiopia averaging an output of 52 megawatts. South Africa opened power production projects to private bidders for the first time. According to the South African Energy Ministry the bid round produced wide spread interest and the 28 projects drew an estimated five billion in potential investment aimed at generating an additional 18 gigawatts of electrical capacity.



Renewable Energy

By EOG

Iran to Start Exploration of Unconventional Oil and Gas

Iran will start its first shale oil and gas exploration project in the country's Western regions of Zagros in the near future.

Hormoz Qalavand, the National Iranian Oil Company Director for Exploration told Fars News Agency that the contract for the exploration of shale oil and gas will be signed next month in Iran.

Last July, Iranian officials said that the efforts to identify unconventional hydrocarbon reserves led to the discovery of some oil shale deposits in the Western parts

of the country.



Shale Gas: a New Alternative

With oil reserves predicted to run out in the 2040's, shale gas may be the answer. Shale gas burns cleaner than fossil fuels, making it a more "carbon-friendly" alternative energy source. According to Hill Post, the US has been at the forefront of extracting shale gas through a technique known as hydraulic fracturing. Shale gas production poses environmental risks, causing countries including France to ban hydraulic fracturing. Other countries, such as Argentina and China, are seeking to develop shale production.

Shale gas not only provides a cleaner burning energy, but also creates new jobs. Shale gas may present a path to energy self-sufficiency for countries such as the US. As long as the benefits out-

weigh the potential environmental impacts, shale gas production will likely continue to grow. Production of shale will provide an alternative energy source as oil resources continue to decline.



US Unconventional Oil Sparks Shifts Worldwide

The International Energy Agency (IEA) recently updated its annual five-year forecast, only seven months after its release. The development of US tight oil and Canadian oil sands has sent shock waves through the global energy market, reports EE News. Following the development of shale in the US, companies in Russia, China and Saudi Arabia have begun utilizing hydraulic fracturing to revive old wells. It is believed that developing countries will take over demand for oil products. Refining is also likely to move into developing countries.

The IEA's report focused on the oil industry, but it did also mention

that natural gas has transformed the US energy market. Gas is already used for electrical needs in the US, but it may change transportation as well. Programs are underway to convert trucks and buses to natural gas, but the transition will take time.

As the US continues to develop unconventional energy legislative issues remain uncertain, particularly the government's policy on exportation. While OPEC's position in the energy market may decline, it "will remain an essential part of the oil mix for as long as we can tell," informed IEA Executive Director, Maria van der Hoeven.

Wyoming Struggling with 1,200 Abandoned Coal-bed Methane Wells

Industry representatives and interest groups have been testifying in front of Wyoming lawmakers on the 1,200 abandoned wells in the state that were not plugged or reclaimed appropriately. The Star Tribune reports that due to declining sales of coal-bed methane, over 1,200 wells have been abandoned, but the Wyoming Oil and Gas Conservation Commission is only capable of plugging around 100 wells per year.

Landowners with wells on their properties are often unable to collect the royalties owed to them by

the companies. Additionally, the presence of abandoned wells devalues properties.

Companies pay taxes and a USD 75,000 blanket bond that can be used towards well-plugging. According to the state's oil and gas supervisor, an estimated USD 1 million is generated per year that can be utilized for plugging abandoned wells. Wells that pose the greatest environmental threats are prioritized. Lawmakers continue to seek solutions on abandoned wells from landowners and companies alike.

New Technology for Tracing the Impacts of Hydraulic Fracturing

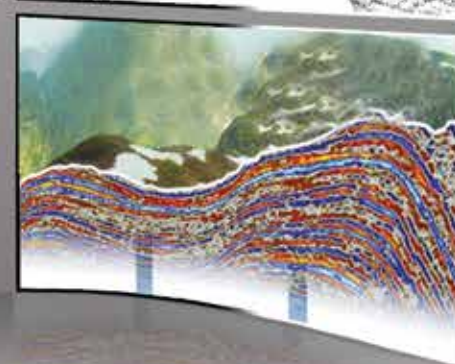
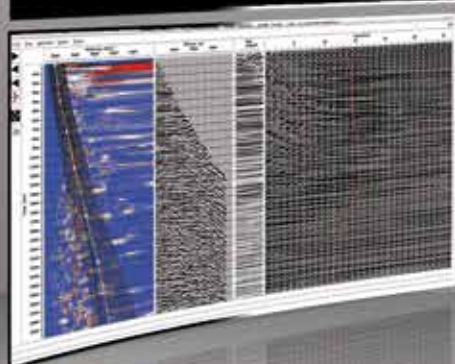
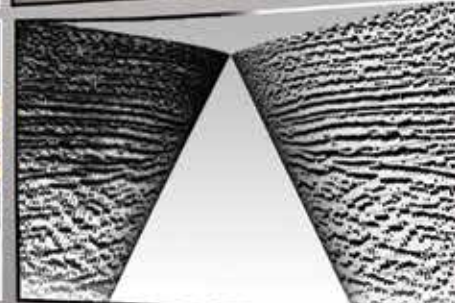
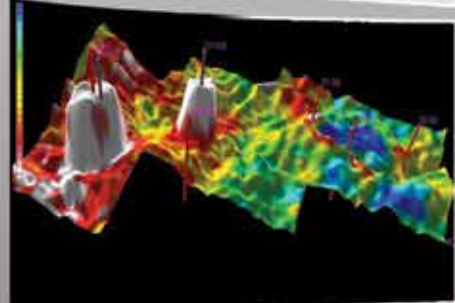
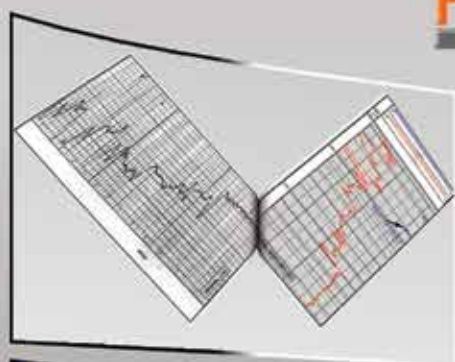
Chemists from Rice University have developed nanoparticles that if included in hydraulic fracturing fluids, will travel wherever the fracturing fluids go, reports Citizens Voice. The use of the nanoparticles could shed light on the likelihood of groundwater contamination by fracturing fluids.

As many of the pollutants related to hydraulic fracturing occur naturally, until now it has been impossible to determine contamination by fracturing fluids. The new particle technology will be tested by an oil and gas company in order to determine how long the particles will remain detectable in the water.

Shale Gas Could Supply One Third of Britain's Gas Demand by 2030

According to the Institute of Directors (IOD), Britain may have up to 309 trillion cubic feet of shale gas. If 10 percent of the reservoirs are recoverable, the country could supply one third of its annual gas consumption by 2030, informs The Telegraph. The industry could create 74,000 jobs for low-skilled employees, as well as technical experts. The British Geological Survey is due to report on the size of Britain's gas resources in a report this summer.

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Environmental Regulation: Foundations Set, What Next?

When it comes to HSE, the 'E' or environment is often set aside and talked about as a separate entity. This separation is most likely due to the different challenges and concerns that come with environmental management.



By Tatianna Duran

In any country and in any industry there are many challenges in regulating and managing environmental concerns. In the oil and gas sector a small mistake or lack of regulation could lead to a huge disaster with countless consequences to the environment. The oil and gas sector is a complex industry dealing with dangerous, and often very toxic products. Even in the best situations mistakes happen. This is why it is imperative to not only have safety standards, but to also have contingency plans to take care of and clean up any accident.

The position of Minister of State of Environmental Affairs was created in 1997 and was given the responsibility to define environmental policies, set priorities and implement initiatives for the protection of the environment in Egypt. Within the Ministry is the Egyptian Environmental Affairs Agency (EEAA), which acts as the executive arm of the Ministry. The EEAA has three principal functions, which include: formulation of environmental policies, preparing the necessary plans for environmental protection and environmental development projects, in addition to following up to ensure their implementation. The EEAA is also the national authority in charge of promoting environmental relations between Egypt and other states, as well as regional and international organizations.

In terms of the oil and gas industry the Environmental Impact Assessment (EIA) is one of the strategic ways the Ministry of Environment protects the environment and regulates projects. In accordance with the environmental protection law 4/1994 and the executive regulations 338/1995 all oil and gas projects must be subject to an EIA before they are able to obtain a permit. Law 4/1994 was enacted to address pollution problems with existing projects as well as reducing negative environmental effects of expansions/renovations of existing establishments and for future projects.

The EIA (known in other systems, like the World Bank, as environmental assessment (EA) process) is a process by which the Egyptian government gathers all relevant information regarding the environmental consequences of activities so that they can mitigate environmental issues before a project starts. The EIA first documents the results of a potential project, then it analyzes potential environmental and social impacts the project may have. If needed, the process calls for project alternatives and an environmental management plan (EMP). If the EIA finds considerable environmental concerns the project can be denied. Not to mention the fact that a project started without an EIA will be forced to pay a fine and could be subject to license revocation.

All projects that go through an EIA are sorted into three categories based on size and scope of the project. Category A is for the smallest projects with minimal environmental impacts such as natural gas or petrol stations in environmentally non-sensitive areas ("sensitive" areas are residential areas, protected areas, agricultural areas and other areas specified by the EEAA). Category B has a bigger scope, and includes projects with potentially adverse environmental impacts such as onshore/offshore seismic exploration for oil and gas, onshore/offshore pipeline of length less than 50 km in non-sensitive areas, and fuel (petrol, gas, or diesel) storage tanks which have a combined storage of 15,000 m³ or less. The last category, category C, contains the biggest projects and those that have the potential to cause the largest environmental disasters. These include onshore/offshore exploratory drilling and development for oil and gas, oil and petrochemical refineries, and distribution networks of natural gas for cities.

In addition to the EIA, law 4/1994 also requires that companies keep an Environmental Register. An Environmental Register is a document that records the companies' impacts on the environment. For example, a company must record the level of harmful emissions that come from their facilities through periodic testing throughout the year. In addition to the final numbers, the register also requires companies to record their sample and analyses rates. Companies such as Petrosafe aid oil and gas companies with their Environmental Register by showing their management how to correctly track the environmental impacts and by providing resources to do so.

While the EIA and the Environmental Register are good ways to mitigate environmental threats, accidents still happen. In case of accidents the Egyptian General Petroleum Company (EGPC) currently runs four spill centers throughout Egypt and has plans for seven more along the Nile and on the Mediterranean. The biggest spill center is in Alexandria with the other four smaller centers located on the Red Sea to take care of tier 1 and 2 spills. Here in Egypt, like elsewhere around the world, tier 1 is the mildest spill with damage in a localized area. Usually, it is the responsibility of the respective company to clean up these spills. Tier 2 spills are a bit larger and usually require the resources of the government for the clean up. Tier 3 spills are the largest and are often considered catastrophic events, such as the BP Horizon accident where the equivalent of 4.9 million barrels of oil spilled into the Gulf of Mexico. Tier 3 spills usually require resources and cooperation from foreign governments as well as the national government.

In addition to governmental spill centers there are also private oil response companies that are specialized to clean up oil and gas accidents. The International Environmental and Marine Services Company (IEMS) is one of these companies here in Egypt. IEMS, the first independent environmental service company in the Middle East, works in conjunction with EGPC and foreign oil companies on oil spill response both onshore and offshore for tier 1 and 2 spills. Foreign oil companies can also contract IEMS for custom contingency packages as well as spill seminars. IEMS is also a member of both the Oil Spill Response Alliance (OSRA) and the Mediterranean Oil Industry Group (MOIG), which help with coordination on oil spill efforts for tier 3 spills. Similar to EGPC, IEMS also runs a private spill center in Abu Quir Military harbor. This center currently has 22 employees working on two shifts throughout the day. Eng. Hamed El Ahmady, the Chairman of IEMS, told Egypt Oil & Gas that as they receive more contracts they hope to add more spill centers throughout Egypt.

In Egypt, one of the biggest challenges in dealing with the environment is the overall lack of environmental awareness, evinced by the huge amounts of pollution on the street, in the Nile and in the air. Many people simply throw trash out their windows without any concern for where it may end up or how bad it can be for the environment. Some may say, fine, polluting is bad, but how does the habit of throwing one's Chipsy bag out the window affect the oil and gas industry? Surprisingly, the affects are substantial and can be disastrous for the environment.

Wessam Mahmoud, the QHSE Manager for Fugro, commented on this issue, stating, "we don't have the culture of preserving the environment in Egypt. You can see the gas station attendants changing oil and pouring it out onto the street." The seemingly insignificant habit of pouring car oil into the streets can result in environmental disasters when these same habits are carried out on a larger scale in the oil and gas

industry. For example, if workers see something leaking into the Nile they might be less inclined to report it, or to try and clean it up. When left unchecked a small leak can turn into an immense problem. This broad lack of awareness corresponds to the level of importance the Egyptian government places on taking care of the environment and cleaning up after any accidents. While the government has environmental regulations in place and a few spill centers around the country there is a lack of environmental awareness that plagues the industry. "It's not just about the government controlling the issues, it's the culture of preserving the environment that's not there," said Mahmoud.

The lack of environmental concern also relates to the serious lack of manpower to deal with a major oil spill and to check environmental regulations. While there is a governmental spill center in Alexandria, and plans for more, it is not nearly enough to cover the entire country. Mohamed Abdullah, Manager of Oil and Gas Projects for the Egyptian Association for Energy and Environment acknowledges that while they have some resources to protect the environment overall there just are not enough. Abdullah also added that even more critical than lack of basic manpower is the lack of specialized environmental experts in the country. When a spill happens you need experts in country to help evaluate the spill and determine the best way to take care of it. Without these experts a small spill can turn into an environmental disaster for years to come if it is not taken care of effectively.

Egypt has a good foundation for environmental regulation, however the lack of environmental awareness by the people is a major roadblock towards cleaning up the environment and limiting accidents in the future. "We have very good and solid environmental law with limits and specializations and everything, but we still don't have the culture to implement it or the commitment to do it," explained Mahmoud. Hopefully, as environmental awareness spreads, more environmental accidents can be prevented. While Egypt is headed in the right direction, it still has a long way to travel. It is going to take effort from all parties – the government, the public, and private companies – to clean up their country and protect it for future generations.



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Prospects for Renewable Energy in Egypt

The consequences of Egypt's insatiable appetite for energy is becoming more pronounced. Amidst broader economic instability and reduced production rates of oil and natural gas the energy deficit is manifesting in electrical shortages throughout Cairo, Alexandria, Luxor, and Aswan. Electricity consumption in Egypt peaks during the summer months, in part due to soaring temperatures and Ramadan¹. In response to recent power cuts, the state-run, National Energy Control Center issued a statement apologizing for nationwide power cuts. According to the statement, the recent blackouts stem from "fuel shortages that have made it difficult for allocated generators to keep up with mounting consumption." It went on to call for citizens to conserve energy by rationing their use of electricity.



By Effat Mostafa, Tatianna Duran and Maya Moseley

The power cuts are expected to continue over the next few months. According to Dr. Mostafa Bakery, Professor of Economics at Ain Shams University, "the Ministry of Petroleum has not supplied electrical stations with sufficient fuel, this will inevitably lead to further shortages." Daily blackouts inevitably leave local residents frustrated. In 2012, grievances in Sohag, a city in Upper Egypt, led to protests against power cuts². Tensions were so high that police intervened to prevent protestors from attacking government offices responsible for energy regulation.

As the government struggles to find solutions for Egypt's energy shortages, calls for alternative options are becoming increasingly prominent. Entities within the government and private sector alike are exploring renewable energy as a viable option to fill Egypt's energy gap. This article examines the problem of energy consumption in Egypt and identifies potential renewable sources.

Consumption

According to Egypt's Deputy Minister of Energy, Aktham Abul-El*, consumption has increased eight percent annually during the last decade³. In 2011 and 2012 consumption increased by 11 percent each year. In Egypt, domestic consumption accounts for 40 percent of the country's electricity, while industry consumes an estimated 35 percent. Dr. Hafez Salmawy, Managing Director of the Electrical Utility and Consumer Protection Regulatory Agency recently noted, "Residential consumers account for close to 50 percent of the peak demand for electricity." Salmawy emphasized that overconsumption in the residential sector is partially driven by heavy government subsidies. The government subsidies on electricity allow for overconsumption without significant financial consequences to consumers.

The government is seeking to ease the current shortages by increasing gas allotted for electricity production by 9.1 percent to 84 million cubic meters a day beginning on June 1⁴. It also hopes to increase the diesel supply by 29 percent to 22,000 tons per day. These measures are in part thanks to USD 5 billion in aid the government recently received from Qatar and Libya, as well as Qatar's agreement to supply gas to Egypt. However, such measures will only provide short-term relief. Even if the current economic crises and current shortages are resolved, the government will still face energy shortages in the future. According to JCEE, Egypt's oil production has been in decline for more

than a decade but natural gas production has continued to grow⁵. It is expected that after 2020 natural gas production will go into decline as well.

Part of Egypt's energy crises stems from the lack of a conservation culture. Reporters for Egypt Oil and Gas spoke to numerous shopkeepers and individuals throughout Cairo in order to gain insight on local perceptions on energy consumption. Mohamed Hamed, a bakery storeowner stated, "Everyone switches on the lights, why should I switch them off? I want the lights everywhere." Omar Nasser, a shop owner in Nasr City, does not think the problem is in high consumption rates, but believes it is the government's responsibility to implement measures to meet the demand increase, stating, "we have the potential to produce energy, we have the High Dam to produce electricity, why should we reduce our consumption? We pay a lot considering they cut the electricity four times per day." These opinions are representative of the common views on energy consumption throughout Cairo. It was also hard to miss that for every shopkeeper interviewed, there was a store with all its lights on during peak daylight hours.

Measures to implement conservation will be difficult as short-term convenience usually outweighs long-term benefits. Dr. Magda Salem, a mother of two girls, explained that she and her daughters use separate cars "even if we are going to the same place." Further noting, "I know we consume too much energy but this is a culture in Egypt and we can't suddenly change that." Such a lack of public willingness to reduce consumption is problematic, particularly when there are shortages.

Egypt's current consumption rates are unsustainable. Amidst the backdrop of broader economic instability and uncertainty, government officials and private investors are pressing for a comprehensive energy plan. During the Second Annual Roundtable Discussion held by Egypt Oil and Gas, participants called for plans to balance energy consumption and production, as well as increasing efforts to diversify Egypt's energy sources beyond hydrocarbons⁶.

Renewable Energy

One potential solution to Egypt's energy shortages may lie in renewable energy. Egypt's geographic position provides it with an abundance of land, sunshine, and high wind speeds. Due to recent economic challenges, many have begun pushing for a policy shift towards the development and expansion of renewable energy in Egypt. In

January 2013, Egypt's Ministry of Electricity announced the government's development of a long-term plan to develop the country's renewable energy⁷. The plan will focus on wind and solar energy during its first phase then move to other renewable energy sources in the second phase.

Wind Energy

According to studies by Egypt's New and Renewable Energy Authority (NREA), wind resources around the Red Sea are some of the best in the world due to high wind speeds between 7 and 10.5 m/sec⁸. The Gulf of Suez is particularly suited for wind energy, as average wind speeds reach 10.5 m/sec⁹. Wind resources also exist on the banks of the Nile in the Eastern and Western Deserts, as well as in parts of the Sinai. The government is seeking to increase wind energy capacity to 7200 megawatts (MW) by 2020.

As of 2011, the NREA reported that the country had an installed wind capacity of 550 mw. The largest established wind farm in the country is currently is Zaafarana farm, located 190 km southeast of Cairo. Zaafarana consists of 700 wind turbines that produce a total capacity of 550 MW¹⁰. Wind farms in Hurghada also contribute to the country's wind energy, producing an estimated Gwh between 2010-2011¹¹.

The NREA reports preparations for wind projects that with total capacities of 1120 mw¹². These projects include a 200 mw wind plant being developed under an umbrella agreement with the government of Germany, the European Union, and the European Investment Bank, a wind farm in the Gulf of El Zayt that is being developed in cooperation with the Japanese Agency for International Co-operation, and a 120 MW wind farm in the Gulf of El-Zayt that the government of Spain will finance.

In February the government placed six plots of land in the Gulf of Suez up for auction, each with a production capacity of 100 MW¹³. The deadline for bids is May 27, 2013. Despite efforts, achieving the 2020 production goal of 7,200 MW remains unlikely if development continues at the current pace around 150 MW every two years¹⁴.

Solar

Egypt is located in the "sunbelt" area of the world, meaning geographically Egypt is endowed with high intensity solar radiation ranging between 2000 and 2600 kwh/m² per annum, with a daily sunshine duration of 9-11 hours¹⁵. The potential for solar energy is further increased given the country's vast deserts rendering it well suited for the generation of concentrated solar power (CSP).

Around the world solar energy is mainly used for water heating, industrial process heat applications and agricultural drying. There are two principle technologies used in generating solar energy; solar thermal power plants and Photovoltaic (PV) solar energy technology. The first solar thermal power plant was constructed 90 km south of Cairo at Kuraymat. This location in the desert makes use of the extended unified power grid and expanded natural gas pipelines, as well as being near a source of water, the River Nile. The power plant is able to contribute 140MW to renewable energy generation¹⁶.

With regard to PV technology, NREA signed a protocol in 2009 for cooperation with the Italian Ministry of Environment to electrify two remote settlements in the Matrouh Governorate. The technology behind PV applications is expensive, but long-term savings in network construction and limited low maintenance requirements compensates high initial costs during its 25-year life span.

The Egyptian government is working to expand solar energy. In October 2010, the World Bank announced a US \$270 million loan to the Egyptian Ministry of Electricity to build a 100MW solar plant in Upper Egypt, to be constructed between 2012 and 2017 and costing an estimated US \$700 million. Furthermore, the Egyptian government has tried to stimulate investment in solar energy before by offering free land to potential investors in both the Eastern and Western deserts¹⁷.

Hydropower:

Hydropower is Egypt's third largest energy source after gas and oil¹⁸. Despite being located in the Sahara Desert, Egypt has one substantial hydropower resource, the Nile, which is exploited by both large and small-scale developments. Hydropower is energy derived from the flow of water, which is used to turn turbines that produce electricity. Most commonly, electricity is generated by use of dams or run-of-river.

According to the African Development Bank Group, as of 2010, Egypt has five main hydropower generation locations on the Nile¹⁹. The Aswan High Dam and the Aswan Reservoir Dams generate the bulk of the country's hydro-electricity. The Aswan High Dam has the potential to generate 2.1 GW, but low water levels often prevent operation at that level. Renovations on the dam are on going, aimed at extending the Dam's operations for 40 years and increasing potential capacity to 2.4 GW.

As of 2012, Egypt's hydroelectric capacity was 2,800 mw, accounting for 9.2 percent the

country's energy supply and 83.53 percent of the country's total renewable energy capacity²⁰. As over 85 percent of the Nile's hydropower is already exploited its capacity to meet increasing energy demands will remain limited²¹.

NGOs to Promote Renewable:

Within Egypt, several non-governmental organizations are working on promoting and developing renewable energy. The Consumer and Energy Organization (CEO) actively promote the transition to renewable energy in Egypt. The organization, headed by Dr. Emad Adly seeks to rationalize energy consumption and increase utilization of clean energy. Adly stated "we need to take effective steps to promote energy consumption, and raise awareness among citizens regarding the importance of promoting a culture of energy conservation."

CEO engaged in a research study in 2009 with the Industry Modernization Centre in order to explore methods of reducing harmful emissions to 200 million tons by 2030. The organization is currently spearheading an awareness campaign to promote energy conservation in Egypt using slogans such as "energy is yours" and "the people want to rationalize energy" in order to promote their cause.

CEO also established a small grants program to promote conservation and implement renewable technology in poor communities in an effort to reduce greenhouse gas emissions by using cleaner energy techniques and rational energy consumption. CEO installed 60 solar heaters and 15 biogas units throughout various small communities in Egypt. In addition to this, the organization trained young people within these communities to maintain the technology. Through recurrent workshops and seminars CEO is successfully raising awareness amongst community members in order to reform behavior and attitudes towards the environment and natural

resources. Today, in villages such as Minia and Tayiba, approximately 840 families own and utilize solar heaters.

In an effort to draw conclusions and replicate their success, CEO noted several elements responsible for the successful implementation of renewable energy at the community level. They concluded that safety was a key factor as the locals no longer had to heat water via gas or kerosene. In addition, the financial benefits also resonated with residents as the solar heaters offered long-lasting yet inexpensive energy source freeing up much need financial resources. CEO also noted that high levels of good governance and transparency significantly contributed to the success.

Egypt Green Energy Association (EGEA) is another organization promoting increased usage of renewable energy. Dr. Ahmad Hijazi, Chairman of Egypt Green Energy Association emphasized the importance of solar energy as a strategic solution to Egypt's emerging deficit. Hijazi stressed the need for increased investments in renewable technology, particularly in solar energy. He noted the need for legal and legislative regulations to assist in the implementation of renewable energy in Egypt, nothing that Egypt has a responsibility to "raise awareness and changing attitudes and behavior towards energy consumption."

Hijazi noted that solar has the potential to be a primary source for electric power generation and considering Egypt's geography and climate, the potential for large scale solar generation is being squandered. A recent achievement of the EGEA is the opening of the largest solar-powered groundwater well in the Western Desert in March 2013. The Egyptian Company for Land Reclamation funded the project for an estimated 500,000 Egyptian pounds and the EGEA served as a technical consultant. The project, located in Alaamen, successfully generated 30 kilowatts of solar energy used in extraction of groundwater for irrigation.

The project helped to extract 850 cubic meters of water per day from a distance of more than 55 meters underground in an effort to demonstrate the feasibility of irrigation powered by solar cell generation.

NGOs are instrumental in promoting and implementing renewable technology here in Egypt. They help small energy businesses grow in developing countries. They also develop and manage various programs to support the growth of renewable energy projects by providing them with business and technical advice they need, as well as spreading awareness.

Conclusion

Energy production and consumption is one of the most pressing issues Egypt currently faces. As the population faces daily power cuts, it should be abundantly clear that the energy sector requires immediate attention. While the current cuts are undeniably tied to unsustainable domestic consumption and the fuel shortages Egyptians must recognize that the country's oil and gas resources are finite and will begin to decline. Raising public awareness essential to foster a culture of energy conservation is what tops the list of priorities in this context. After all, the roots of the current energy crisis are traceable to the seemingly overlooked waste of resources that takes place on a consistent basis nationwide. Therefore, learning the when, how, and why of economizing energy consumption becomes a basic requirement in handling this crisis. Foregoing mass-scale awareness and acting accordingly on it are luxuries that are no longer affordable.

Egypt has a remarkable potential for renewable energy. It has successfully tapped hydroelectric power but that is only capable of supplying a fraction of the country's energy. The country's wind and solar energy potential is vast and the NREA is working to expand and develop these sectors. However, such development requires significant financial investment. So

long as instability persists in Egypt's economy and government it will remain difficult to attract foreign investors.

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Egypt's Draft NGO Law: Strengthening National Security or Threatening Civil Society?

In Egypt, civil society organizations (CSOs) and non-governmental organizations (NGOs) are regulated by the Law on Non-Governmental Organizations (Law 84:2002) and the Executive Statute of the Law on Non-Governmental Societies and Organizations (Decree 178:2002). According to the International Center for Not-for-Profit Law (ICNL), despite being some of the most restrictive NGO laws in the world, they remain more discretionary than restrictive in practice¹. The full weight of the law is generally only enforced against organizations advocating and implementing social and political reform.

By Maya Moseley

Despite being instrumental in the Egyptian revolution, NGOs and CSOs in Egypt continue to face a hostile environment. In December 2011, seventeen local and international NGO offices were raided over allegations of illegal funding under Law 84:2002². Following the raids, 43 national and foreign NGO employees were arrested and charged with receiving illegal foreign funds³. Sixteen of the 17 foreign nationals charged left the country in March 2012, while one, Robert Becker, chose to stay and face trial. The trial remains ongoing, with a verdict expected in early June 2013. The sweeping raids and arrests were unprecedented, raising concern over the future of CSOs and NGOs in Egypt.

Draft NGO Legislation

Recent draft legislation on NGOs and CSOs is seen by many organizations as the latest threat to their work while government figures argue it is necessary for protecting Egypt's sovereignty. Proposed oversight by government bodies, restrictions on sources of funding, and cumbersome registration processes have spurred debate between government officials and CSOs.

Following the revolution CSOs and other political bodies began proposing new NGO legislation to replace Law 84:2002. In March 2012, a draft NGO law, viewed by many as too restrictive, was submitted by the Ministry of Insurance and Social Affairs to the People's Assembly, where the Muslim Brotherhood's Freedom and Justice Party (FJP) held the majority⁴. The proposed legislation was rejected by the assembly and countered with a draft law from the FJP in April 2012. The FJP's 2012 proposal was praised for its simplified processes and replacement of prison sentences with fines.

In February 2013, the FJP through the Ministry of State for Administrative Development submitted a new draft NGO law to the Shura Council, Egypt's upper house of parliament. The Ministry of Insurance and Social Affairs also introduced a new draft NGO law to the Shura Council in February 2013. According to Mohamed Zaree, of the Cairo Institute for Human Rights Studies (CIHRS), "both drafts impose the same restrictions on civil society."⁵ Zaree goes on to note that the proposals were so similar they even include identical typos.

The February legislative proposals by both the FJP and the Ministry of Insurance and Social Affairs require the establishment of a Coordinating Committee, comprised of representatives from the Ministry of Justice, Ministry of Foreign Affairs, Ministry of Insurance and Social Affairs, Ministry of Interior, Ministry of Planning and International Cooperation, the General Intelligence Agency, and the Central Bank of Egypt, as well as a judge from the State Council⁶. Under both of the proposals the Coordinating Committee is responsible for approving foreign NGOs and authorizing what activities they are permitted to engage in⁷. Under the proposed legislation, foreign NGOs will only be allowed to engage in activities that address the "needs of Egyptian society." The committee may deny foreign NGOs the right to work in Egypt, object to their activities, or the "direction of projects funding⁸." The Coordinating Committee's decisions can be challenged in court, but the NGO's activities must be suspended pending a verdict.

Additionally, both of the February proposals classify foreign funding of Egyptian NGOs, as well as foreign NGO funds as "public funds". Under Egyptian law, any citizen is allowed to

request an investigation in the spending of "public funds" and assets may be frozen during an investigation⁹. Penalties for the misuse of "public funds" are much more severe than penalties for misuse of private funds.

Egyptian NGOs and CSOs are not permitted to associate with any foreign NGO without prior approval by the Coordinating Committee, under the FJP's February draft law¹⁰. The Ministry of Insurance and Social Affairs appears to already be attempting to enforce this. In February 2013, the ministry sent a letter to the Egyptian Organization for Human Rights (EOHR), stating that no "local entity" is allowed to engage with "international entities" without permission from "security bodies."¹¹ While the specifications in the letter were vague, "international entities" is believed to include international human rights organizations, as well as United Nations (UN) institutions.

Under the FJP's February proposal, an Egyptian CSO or NGO wishing to establish itself must submit notification along with required documents to the Ministry of Insurance and Social Affairs¹². After submission, the organization is legally established; however, the Ministry of Insurance and Social Affairs has 30 days to object to the organization's establishment. Additionally, the Ministry is required to issue a certificate of registration, which confirms the legal status of the NGO or civil society organization. The draft law does not include a time frame for the issuance of the certificate, potentially allowing the ministry to indefinitely withhold the organizations activities. In order to operate, foreign NGOs would have to apply for a license from the Coordinating Committee¹³. The committee would have 30 days in the case of organizations established by an international and 60 days for the rest to either deny or approve the application. According to the ICNL, "the committee has broad discretion to deny a license".

Current Debate

On March 24th, 2013 the Shura Council provisionally approved the FJP's proposed NGO legislation¹⁴. Despite the provisional approval, the Council is still waiting for government-drafted legislation. The EOHR has since submitted recommendations on meeting international human rights standards, to Ahmed Fahmy, chairman of the Shura Council¹⁵. Following revisions to the draft in April, CIHRS sent feedback to the Shura Council and Presidency. The latest version of the legislation is believed to be from May 4; however, at the time of this writing organizations have not been able to access the document, so it remains unknown what changes have been made.

Proponents of the FJP's draft NGO legislation view it as protecting Egypt from foreign influence. According to Omar el-Sharif, Deputy Justice Minister, "we want an NGO law free of the 2002 law's serious defects in terms of tightening control on foreign funding of NGOs in Egypt."¹⁶ Nagi el-Shehabi, member of the Generation Party, explained his view of the law "as crucial to Egypt for eliminating the spies who have infiltrated the country under the cover of foreign NGOs."¹⁷

According to the government's foreign policy blog, "the Presidency believes that the new NGO bill will encourage civil work, facilitate its procedures and expand its sphere."¹⁸ Morsi's administration views the law as "a balance between the freedom to practice civil work and establish civil entities on the one hand and the

rules of transparency and society and national responsibility on the other." The administration reported consulting with civil society groups, unions, centers, authorities, and embassies on the FJP's draft law and taking their feedback into consideration¹⁹.

The proposed legislation has been met with fierce criticism locally and internationally. In February, twenty-two local organizations issued a condemnation of the legislative drafts, asserting that both the proposal by the FJP and the draft submitted by the Ministry of Insurance and Social Affairs, seek to nationalize civil society through the control of funding²⁰. According to the statement, "either bill, if passed, will serve to insulate the old machine of repression and torture from criticism and oversight, facilitate the suppression of freedom of expression and the press, and eliminate the relative protection that rights groups currently provide to the victims of human rights abuses."²¹ Politicians have also expressed concerns over the proposed legislation. In May, the National Salvation Front (NSF) stated the "main goal [of the law] is to stop human rights organizations from pursuing officials for human rights abuses under President Morsi and his security apparatuses."²²

The draft law has also faced scathing criticism from international human rights activists and organizations. Human rights expert, Kenneth Roth stated that the establishment of a Coordinating Committee would enable the government to play favorites, approving funds for some organizations while denying funds to organizations that are critical of the government²³. According to Roth, regardless of their funding sources, NGOs have the right to engage in activities, even dissent, as long as they do so in a peaceful manner. Roth goes on to question the government's restrictions on foreign funds for NGOs considering the government itself "is desperately seeking foreign funds from the International Monetary Fund (IMF)."²⁴

On May 8, 2013, the United Nations High Commissioner for Human Rights, Navi Pillay, warned that the draft law, "if adopted, will impose a series of draconian restrictions on civil society organizations, especially those focused on human rights."²⁵ Pillay cautioned, "it will mark a further blow to the hopes and aspirations that were raised during the 2011 Egyptian Revolution." Delegates from the Euro-Mediterranean Human Rights Network (EMHRN) echoed a similar warning, that "Egyptian civil society is now facing extermination plays from the government."²⁶ According to Freedom House, one of the international NGOs raided in December 2011, by prohibiting NGOs that receive funds from foreign governments, the proposed legislation would force the majority of international NGOs out of the country²⁷.

With the proposed NGO legislation still undergoing revisions and debate in the Shura Council, the future of NGOs and CSOs in Egypt remains in question. As long as the government views civil society as a threat to national security, NGOs and CSOs will continue to face stringent regulations. The ramifications of passing the proposed legislation are difficult to determine. It is possible that the government will continue its discretionary implementation, with only human rights and political reform organizations facing the full weight of the law. The requirements on foreign NGOs, as well as complicated registration processes for new organizations may stunt the growth of civil society within the country.

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The Challenges of Development: An Interview with Weatherford's Country Manager Ahmed Abuzeid

Egypt Oil and Gas obtained an exclusive interview with Country General Manager of Weatherford, Ahmed Abuzeid to discuss Weatherford's expanding service portfolio and goals for 2013.



By Julie Herrick

Can you tell me about your early experience in the petroleum sector?

I have thirty-five years of varied and diverse experience within the oil and gas industry, mostly related to drilling onshore & offshore wells all over Egypt. After earning my degree in petroleum engineering from Cairo University, I gained my initial work experience on a variety of oilfield rigs. Then I started working for an American drilling company, Sante Fe, in 1975 before eventually transferring to the Canadian company Precision in 2004. It was my pleasure to join Weatherford team in 2005 as Country General Manager for drilling rigs, prior to transitioning to Country General Manager for all Weatherford services in 2012.

What can you tell me about Weatherford's services and market share?

Weatherford is a multinational service company that provides equipment, technology and expertise to the oil and gas sectors. We specialize in drilling, evaluation, completion, production and intervention services. Our service portfolio includes drilling rigs, well construction and completion, formation evaluation and production optimization services. As a result of our experience and expertise we occupy a significant market share.

Weatherford consistently delivers technology and service that ensures successful drilling of high profile prospects. We assign highly qualified personnel to oversee managed pressure drilling to ensure the flawless utilization and optimal performance of equipment and technology. Weatherford has numerous projects currently underway in Egypt, including several contracts in the Mediterranean. We are currently involved in the several HP/HT projects located offshore Egypt. The NOTUS and SALAMAT wells operated BG & BP are notable examples.

Weatherford has a reputation of quality and sophistication that we have achieved by providing consistent and reliable service to our clients at a competitive price. As a result of this ethic, we have a built long-lasting relationship with numerous multinational companies. Through our commitment to quality and reliability we contribute to our clients success. Through our partnerships we help our clients continually innovate in terms of exploration, evaluation and production. The dynamic is very productive and, as such, we have the pleasure of recurrently working with a wide variety of local and international oil companies operating all over the world.

Can you tell me about products or services you are currently promoting?

Recently we introduced the industry's only membrane-based gas extraction technology, the GC-TracerTM. The GC-TracerTM detects and

evaluates gases at much higher sensitivity in order to give our clients more accurate formation evaluation and significantly reduced reservoir uncertainty. The GC-TracerTM is currently assigned to BG's deep-water well, the Notus-1. We have received tremendous feedback concerning its value and are very enthusiastic about increased utilization of the technology.

There has been much debate within the service sector concerning the continued emphasis on pricing. What do you feel are the long-term implications of the current fixation on price?

The ongoing emphasis on the lowest cost option is shortsighted. Our business is too technical for such a simplistic mentality. Pricing is always a concern and companies should price services as competitively as possible. However, quality and reliability must also be considered. We shouldn't condition any tender by selecting the lowest price option. Such strategies result in low product quality, which inevitably translates to project delays and logistical problems, many of which can be hazardous in terms of safety. Lower initial costs inevitably translate to greater, and more expensive, problems in the long-term. As such, I feel the current emphasis on the lowest cost option is problematic and should be altered.

What strategies have Weatherford adopted to successfully establish itself as a dominant player in the service sector?

Weatherford invests considerably in training and development as we feel that investing in our employees will ensure consistent and reliable delivery of the quality service we are known for. Our Abu Dhabi based training center, WTTC, offers a wide variety of educational initiatives for all our employees. Training seminars include drilling, safety and technical elements. Dependant on the project or area, we also offer supplemental training that is specific to the job or locale.

How would you characterize the challenges facing the Egyptian energy sector?

I feel that the sector is suffering from stagnation resulting from a lack of advanced technological innovation. I understand that Egypt is currently facing many challenges, however the petroleum sector can substantially contribute to economic recovery, which is sorely needed. As such, the government needs to encourage technological development, innovation and investment in the sector. Specifically, Egypt needs to bring new technologies to further develop unconventional resources. I feel that such an emphasis will open alternative avenues for exploration and bring increased momentum and productivity to the sector. We shouldn't only focus on using the current concessions without exploring new concessions in

alternative ways. I feel that improvement in these areas will likely lead to increased investment in the sector. Egypt has incredible potential in hydrocarbons; we just need to focus on how to enrich it. With better planning and increased efficiency we can tap that potential.

In your opinion, what strategies can be adopted to confront these challenges and attract increased investment?

First, I think increased communication and transparency are crucial to attracting investors. We need to have round table debates with government officials, private investors and independent consultants. The dialogue could go a long-way in developing solutions to current problems and providing clarity about the direction of the sector. Second, I think regulations need to be revised; the process of obtaining permits needs to be streamlined and more efficient. Third, Egypt needs to employ a renewed emphasis on education in the petroleum sector. Increased knowledge and experience amongst key decision makers will inevitably lead to greater efficiency and productivity. Lastly, I feel the subsidy issue needs to be addressed. I concede that we do need to remove energy subsidies for future growth and development. However, the drastic removal of subsidies could cause more problems and potentially harm many people. Energy subsidies can be reduced in a gradual manner over a period of several years. We need to investigate subsidies in an effort to determine how they can be reduced without harming the poorest Egyptians.

How does Weatherford regulate procedures related to health, safety and the environment?

We have an entire division focused on the implementation and development of our procedures related to quality, health, safety and the environment (QHSE). We design our procedures with HSE in mind. As a multinational company operating globally we adhere to the latest international standards and regulations related to QHSE. Throughout our services we strive for minimal environmental impact.

What are your goals 2013?

We aim to increase our market share by bringing increasingly sophisticated technology, equipment and services to Egypt. We will continue to provide high quality service simultaneous to our continued innovation and development in the sector. Additionally, we will continue to develop local expertise in Egypt through our advanced training. We continue to actively seek solutions to Egypt's production problems, with the aim of boosting the country's productivity and strengthening the national economy.

Stop Gap Measures

Ahmed Rashwan, Director of Assurance & Attestation Services, PricewaterhouseCoopers

It should be obvious that an increasingly palpable sense of worry is creeping into the Egyptian energy market. Many observers feel that the existing mechanisms and policies are not sustainable let alone designed to facilitate growth and development.

Arrears resulting from governmental spending on energy products represent one such obstacle. In response to the ominous possibility that foreign, as well as national investors, will abandon the country's energy sector unless debts are repaid, the Egyptian government recently took action. The government signed agreements with several foreign investors to reschedule petroleum debts, partially in an effort to signify to the broader sector that officials are trying to resolve existing problems.

The restructuring was also an attempt by the government to resolve current shortages. It was widely believed that declining production during the last period was the result of ambiguity concerning how and when payments would be made. International oil companies (IOCs) have intentionally fixed their production rates in the past due to delayed payments. An altogether unsurprising move, as Egyptian General Petroleum Corporation (EGPC) cannot demand increased production without paying the necessary receivables required to pay labour and import materials.

EGPC paid the equivalent of \$1 billion as a tranche of the debts to the IOCs. In consideration of the alarmingly low levels of foreign currency reserves in Egypt (down 50 percent since 2011), in April 2013 the government optioned to repay 25 percent of its debt to the IOCs in Egyptian Pounds. Although such payment is not a large amount compared to the overall debt, it shows that EGPC

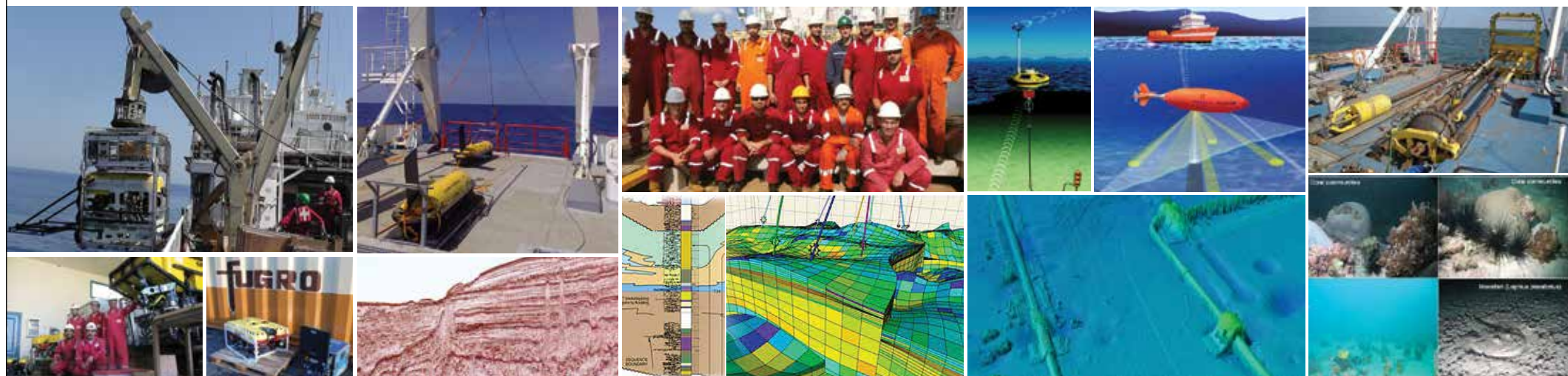
is taking steps to solve the problem of outstanding debts that constitutes a substantial obstacle to increased oil and gas production in Egypt. Whether the payments were enough to increase production remains to be seen.

The delayed payments have also taken a significant toll on upstream service companies. Seismic testing, drilling, equipment production, transportation, auditing, consultancy, logistics, environmental solutions and risk analysis are just some of the responsibilities of the upstream service companies that employ thousands of Egyptians. Recently, The Economist referred to such service companies as "the unsung masters of the oil industry" due to the fact that large oil explorers and producers are becoming increasingly dependent upon the technical expertise of these service companies. The current problem of arrears inevitably trickles down to service companies and acts as a disincentive via the decline of project volume and general stagnation in the sector. Liquidity, margins, and quality versus cost need to be addressed. Inactivity will inevitably result in service companies leaving the Egyptian market.

The abovementioned factors result in significantly increased operating costs for IOCs. It is not possible to compensate the IOCs for increased costs under long-term contracts and this will inevitably hinder future investment in Egypt. In order to avoid this and overcome current challenges, the government needs to develop strategies, mechanisms and policies for the petroleum sector. Increased exports, price adjustment, agreement reform, the promotion of technology and resolution of the subsidy issue will go a long way promoting economic recovery growth and development.



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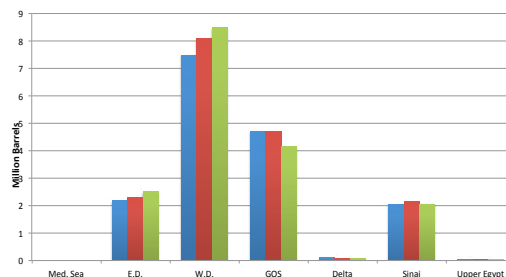
Egypt Statistics



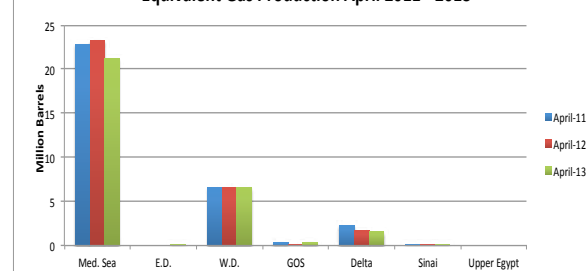
Table 1 Egypt Rig Count per Area May 2013

RIG COUNT			
Area		Total	Percentage of Total Rigs
Gulf of Suez		11	9 %
Offshore	11		
Land			
Mediterranean Sea		9	7 %
Offshore	9		
Land			
Western Desert		78	64 %
Offshore			
Land	78		
Sinai		12	10 %
Offshore			
Land	12		
Eastern Desert		8	7 %
Offshore			
Land	8		
Delta		4	3 %
Offshore			
Land	4		
Total		122	100%

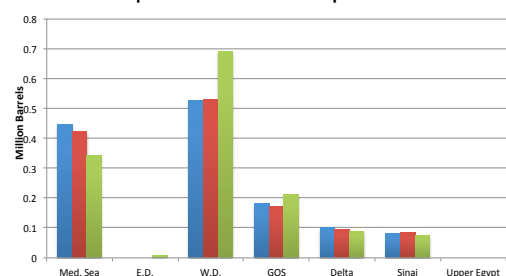
Oil Production April 2011 - 2013



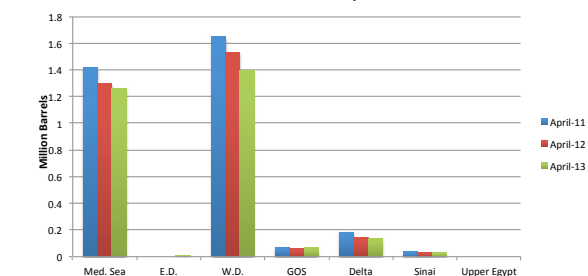
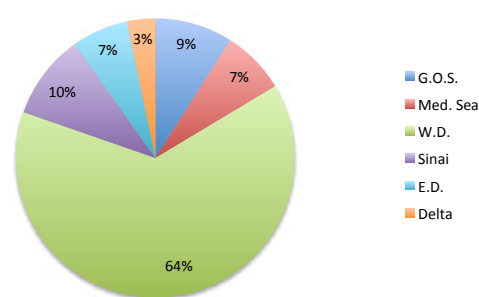
Equivalent Gas Production April 2011 - 2013



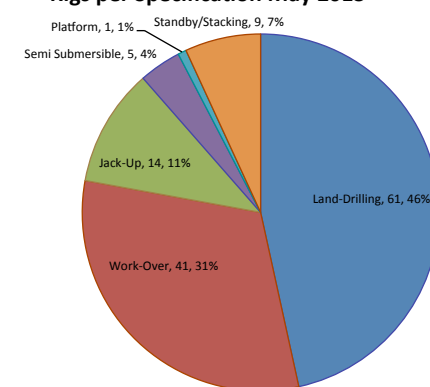
Liquefied Gas Production April 2011 - 2013



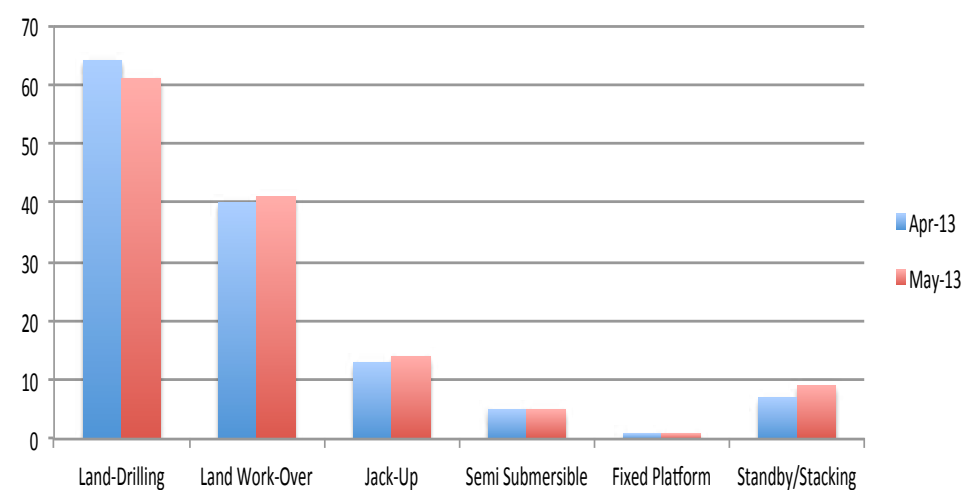
Condensates Production April 2011 - 2013

Rigs per Area May 2013
(Total of 122 Working Rigs)

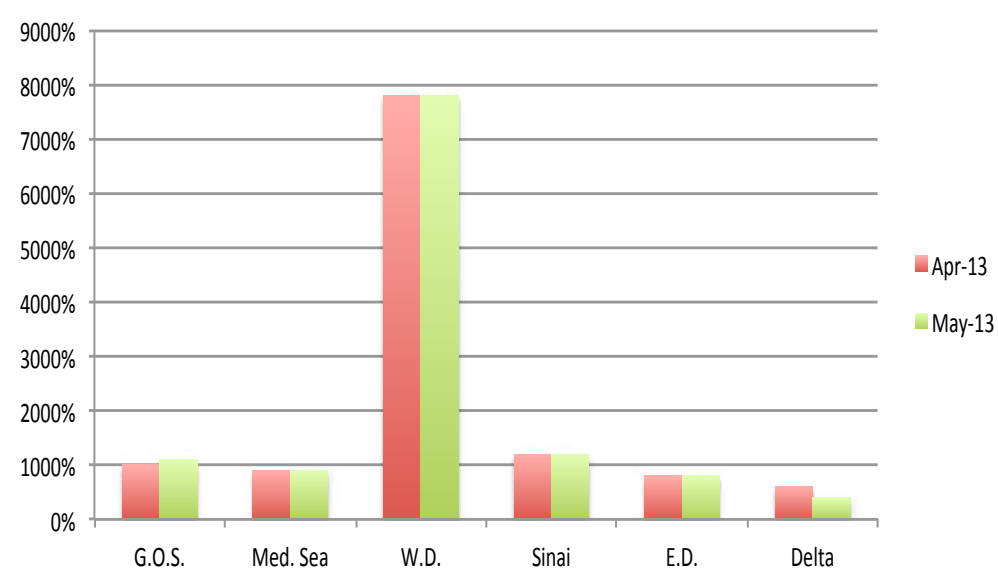
Rigs per Specification May 2013



Rigs per Specification April - May 2013



Rigs per Area April - May 2013



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RE/MAX
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6" LINE PIPE SCH 40

SEAMLESS PIPES HOT ROLLED, IN LENGTH (10 TO 12 M, PROTECTED BY VARNISH, WITH PLASTIC CAPS ON BEVELED ENDS, NONE EXPANDED, AS PER ANSI B16.10, BE. AS PER ANSI B16.25, DRL (11 TO 12 MT. LONG).

STANDARD:
API 5L, 44TH ed., 2007.

GRADE OF STEEL: GR-B N PSL-2 Origin: Croatia W.T: 7.11 MM



5156 Joints ~ 59 Km

8" LINE PIPE SCH 40

ERW LINE PIPE, HIGH FREQUENCY ELECTRIC RESISTANCE WELDED CARBON STEEL LINE PIPE CS. BARE PIPE, NONE EXPANDED, AS PER ANSI B16.10, BE. AS PER ANSI B16.25, DRL (11 TO 12 MT. LONG), DOUBLE RANDOM LENGTHS WITH BEVELLED ENDS, WITH PROTECTORS AND OUTSIDE VARNISHED.

STANDARD:
API 5L – X52 PSL-2 43RD ed.

GRADE OF STEEL: X52 Origin: India W.T: 8.18 MM



5111 Joints ~ 62 Km

12 3/4" COATED LINE PIPE SCH 40

ERW LINE PIPE, CS COATED (EXTERNAL 3 LAYER POLYETHYLENE COATING ACCORDING TO DIN 30670 N FOR LINE PIPE ERW, CS. BARE PIPE, NONE EXPANDED, AS PER ANSI B16.10, BE. AS PER ANSI B16.25, DRL (11 TO 12 MT. LONG), WITH PROTECTED END CAPS. DITTO BUT BARE PIPE.

STANDARD:
API 5L 44TH ed. X52 PSL-2, ITP 74/08 REV.0

GRADE: X52M Origin: Greece W.T: 10.31 MM



2156 Joints ~ 25 km

16" PIPE LINE SCH 40

ERW LINE PIPE, CS COATED (EXTERNAL 3 LAYER POLYETHYLENE COATING ACCORDING TO DIN 30670 N FOR LINE PIPE ERW, CS. BARE PIPE, NONE EXPANDED, AS PER ANSI B16.10, BE. AS PER ANSI B16.25, DRL (11 TO 12 MT. LONG), WITH PROTECTED END CAPS.

STANDARD:
API 5L 44TH ed – X52 PSL-2, ITP 74/08 REV.0

GRADE: X52M Origin: (Greece) W.T: 12.70 MM



4345 Joints ~ 51 Km



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- Delivery Point Alam El Shawish Yard at Western Desert, Egypt.
- Delivery Reference EXStock (Inco Terms 2010).
- Subject to order, prices may be negotiable.
- Third party inspection is on buyer's account.
- All Details Above are given in good faith.

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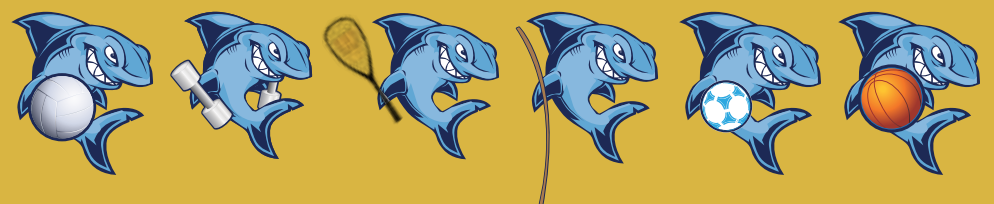
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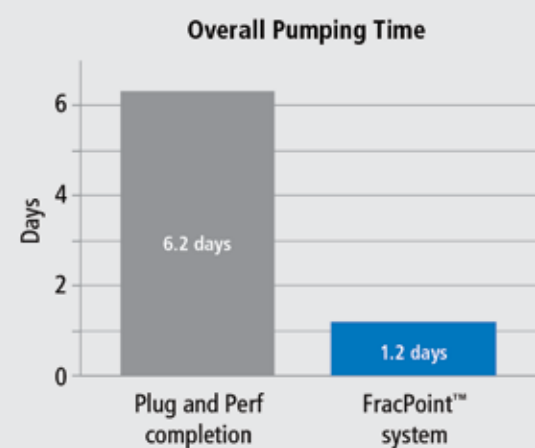
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