Dana Gas introduces Egypt Gas City

Egypt Oil & Gas Newspaper

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Field Development back on track

When the wheel of new explorations slows down, costs become unaffordable, and new investments draw back, then it is time to focus on to the old fields and turn on the engine of development

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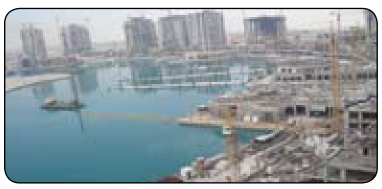

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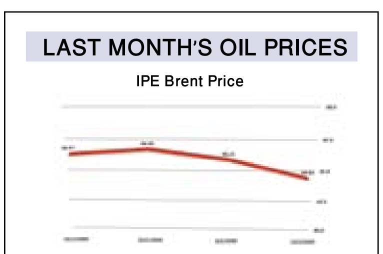

Time for Optimization!

$725-million program to develop Gupco's fields and rehab production facilities

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PICO 4 to foster the integrated service concept in Egypt

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Meet to decrease!

Having the oil market unstable since the last July's oil price peak, reaching $147 a barrel followed by the unprecedented down falls, the Organization of Petroleum Exporting Countries (OPEC) has been since then trying hard to get control over the swinging price. However, no recognizable rule has been achieved and the power of the organization has drawn a big question mark.

I know that the issue of oil prices has been over tackled in various media channels, but with the occasion of the coming OPEC policy-setting ministerial meeting, to be held in Vienna, on March 15, expectations and speculations come back on the stage.

As an attempt to a gradual restore of crude oil prices, OPEC is to further reduce the production during its meeting. However, all circumstances are not in OPEC's favour; the current global economic crisis affecting the petroleum industry, causing less E&P operations and less demand over oil lead by their turn to lower prices.

Quoting the Iraqi Oil Minister Husain Al-Shirshani as said, "the year of 2009 will be a tough economic year. It is expected demand for crude oil to drop." I believe that the Iraqi Minister's vision reflects a reality that we should admit; the fluctuating oil price will not come to an end in the near future as the World's economy is swinging as well. Yet, OPEC members keep their faith in their capabilities to control the oil prices worldwide and tighten the rate of price fall.

Having heard over and over OPEC President promising of restoring balance and getting back the prosper times of oil prices, the petroleum players still keep an eye on the decisions made by the organization, though no effective change was really saving the situation.

"OPEC is determined to play its part in restoring balance to the market," OPEC President Jose Maria Botelho de Vasconcelos sid in statement, prior to the coming meeting. So, will OPEC solve this irritating issue this time and get to fix the roots of the problem or shall we wait for further meetings?

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Guest Column

Lessons from the Pharaohs

Since the days of the pharaohs, there have been cycles of good and bad periods. In the Genesis, it is stated that first there will be "seven years of great plenty throughout all the land of Egypt", which will be followed by "seven years of famine; and all the plenty shall be forgotten in the land of Egypt; and the famine shall consume the land".

Earlier this week, some of the country managers for the oil companies in Egypt were gathered. The main topic was the oil price and where it is going. One country manager said that he expected the oil price to reach a low of 25 USD per barrel in 2009.

I have not been in the industry for more than 12 years, but already this is the second time that I have experienced a sharp downturn in the oil price. I remember in 1998 when the oil price reached 10 USD all the companies were frantically cutting costs and laying off people – and now history is repeating itself.

One would expect that an industry that employs so many bright people would be able to prepare for these cyclical movements. In other words use the seven years of plenty to prepare for the seven years of famine. Like Joseph advised the Pharaoh to do in ancient Egypt.

But for us in the oil industry, this kind of anti cyclical thinking seems to be difficult. When times are good capital is plentiful, the limiting factor is qualified personnel and projects to invest in. And, when times are bad there is no end to the misery. Suddenly capital is the limiting factor and there is an abundance of people and projects to invest in.

One year ago, the sky was the limit for the oil price and we as oil companies were overbidding each other for assets to secure growth. For many, it was only a question of time before the oil price would reach 200 USD per barrel.

Today the picture is completely reversed. The seven years of plenty is forgotten and we are looking into the abyss. All the country managers that I met this week are talking about measures to cut costs and how to protect the cash flows.

What we in StatoilHydro have decided to this time around, however, is that we will not cut on the sowing seeds. So we will continue to actively pursue exploration opportunities, continue to recruit the best talents and we will continue our research and development efforts to enhance the company's technological edge.

If we as a company also can be able to build a strong financial buffer during the next upturn I think we may succeed like Joseph did when he fed Egypt during the seven years of famine.

Per Johan Bugge
Country Manager Egypt, StatoilHydro

Introducing Egypt Gas City

From left: Dr. Ahmed Nazif, Egypt's Prime Minister and Mr. Hamid Jafar, Executive Chairman of Dana Gas

The Economist Conference's Sixth Business Roundtable witnessed the participation of Dr. Ahmed Nazif, the Prime Minister of Egypt, and Hamid Jafar, Executive Chairman of Dana Gas, who discussed the company's efforts in the country at a high-level symposium of which Dana Gas is the lead sponsor.

The Roundtable, which was attended by the Prime Minister and nine members of his Cabinet, brought together leading businessmen, investors and key decision makers to discuss issues pertaining to the current economic situation in Egypt.

During their discussion, the Prime Minister praised Dana Gas' efforts and commitment to its Egyptian operations and complimented the Chairman on the rapid results being achieved, noting in particular the several discoveries made during the past few months.

Jafar also met Egypt's Minster of Petroleum, Eng. Sameh Fahmy to discuss energy issues of common interest and to talk specifically about the country's future requirements as well as Dana Gas's plans for its operations in Egypt. Jafar advised the Minister of the latest plans being implemented by Dana Gas as well as current production and added that the support of the Egyptian Government has been a major factor in Dana Gas' success in the country and assured that there is more positive news to be announced in the near future, which will add further value to the Egyptian economy.

Dana Gas also presented its Gas Cities concept to the conference, which it believes to be the optimum energy solution for the region. The company is committed to establishing Gas City Egypt.

Speaking at the symposium, Jafar said, "Despite the challenges of being the most populous country in the Middle East/ North Africa Region, Egypt has made huge strides in the gas sector through the progressive policy of the Petroleum Ministry that both encourages investment and maximizes local benefit. Egypt has doubled its gas reserves in the past five years, and is meeting the needs of the large domestic market while also exporting gas through both pipeline and LNG, with over 60 companies active in its upstream sector."

"Dana Gas marked its entry to the Egyptian energy sector with the $1.1 billion acquisition of Centurion Energy in 2007 – clear evidence of our confidence in the local investment climate. We have since made substantial targeted investments in exploration and development, which have yielded extremely encouraging results," added Jafar.

"We have doubled our reserves in Egypt, and announced our latest discovery just this morning. In addition, we are making investments in a new LPG plant in the Gulf of Suez.

"As a regional company, we are focused on local use and benefit from gas, and in this context are proud to be jointly developing with the Government the Egypt Gas City Project, which will increase the local benefit from gas through maximum job creation and investment for sustainable economic growth".

Besides introducing the Gas City project, Dana Gas also aims to promote a range of Corporate Social Responsibility (CSR) initiatives, which eventually will become part of the firm's development of a self-sustaining Gas City in Egypt.

First ASSE forum in Egypt

The Egyptian Chapter of the American Society of Safety Engineers (ASSE) held its first forum, in Cairo, attended by key figures of the HSE field in the Oil and Gas sector.

The Egyptian Chapter was founded in Cairo, by a petition meeting on Saturday, March 11 2000, and the Inaugural Meeting held by Wednesday, June 7, 2000 and was honored by the presence of Mr. Fred Fortman, Executive Director of the ASSE.

The forum was held to promote membership of Egypt Section and be eligible to be Chapter in order to share experience while developing the body of knowledge relevant to the HSE profession through technical meetings.

ASSE Egypt Section was founded, as the third international section outside the USA, in June 2000. Their vision is to be able to premier organization and resources for those engaged in the practice of protecting people, property and the environment, and to lead the profession nationally.

ASSE is a global association providing the professional development and representation for those engaged in the practice of safety, health and the environment and providing services to the private and public sectors to protect people, property and the environment.

The forum witnessed the participation of many Egyptian petroleum figures. Dr. Wael Abdel Ghany, Halliburton Egypt, opened the agenda of the event after that Eng. Ayman Fatthy, Country Business Team Leader, 3M Egypt, addressed his word. Among the speakers, there were Eng. Saeed Khalifa, HSE Manager of the Egyptian Fertilizers Company, introduced the Asse Organization and what it stands for.

Eng. Ramy Tolba, Team Leader OHES, 3M Egypt, showed a presentation about the importance of personal protective equipment and its new technologies while Dr. Hussein Abdul Haie, First under Secretary of State Ministry of Labour & Work force and Director of NIOSH Egypt, clarified Egypt's national OHS Strategy through his presentation.

Eng. Ahmed Azzam, Country Safety Leader, Ideal Standard Group, introduced new concept in Safety Understanding during his speech on the "Meerkat way" and how this small animal could achieve the HSE policies by teamwork. There were also Eng. Mohamed Abdul Aziz, HSSE Manager, SEGAS, who discussed the role of OSHAS 180001 in HSE applications and Eng. Mohamed Fekri, HSE Mgr., Egypt LNG, discussed the clean development mechanism for Co2 emissions.

Finally Eng. Ahmed Kamal, Manger Environmental compliance office, Federation of Egyptian industries, discussed the role of FEI role played towards the EHS policy.

Additional gas pay at Ruby Field

RWE Dea AG has successfully finalized its extensive drilling campaign in 2008 within the West Nile Delta; the exploration well Ruby-3 (Ji 50-2) discovered gas.

The Ruby-3 (Ji 50-2) exploration well is located within the offshore West Mediterranean Deep Water concession, approximately 66 kilometers from the Egyptian coast. The well was drilled in 920-meter water depth and reached its total depth at 1957 meter. Gas bearing sandstones were penetrated in the Pliocene section as prognosed. Evaluation of the drilling results is ongoing in order to estimate the amount of gas resources and their implication to RWE Dea's portfolio.

RWE Dea has a 20 per cent working interest in the concession, whereas the remaining 80 per cent is held by Operator BP. Ruby-3 was the last of six exploration and appraisal wells drilled by BP and RWE Dea within the West Nile Delta (WND) in 2008. The well penetrated one segment of the so-called Maadi prospect, which extends into other concessions, in all of which RWE Dea holds substantial shares.

The Ruby field was discovered in 2002 (Ruby-1) and successfully appraised in 2003 (Ruby-2). Located in the Western Nile Delta's West Mediterranean Deep Water concession, other finds in the area include Polaris and Raven.

"With gas proven in the Ruby-3 well, chances increase that more gas may be discovered in the other, so far undrilled segments of Maadi," explained Hans-Hermann Andreae, General Manager of RWE Dea Egypt. "However, prior to further appraisal of Maadi we will focus on development of several of the other gas fields discovered in the West Nile Delta area. These fields have been discovered earlier and some of them were successfully appraised in 2008."

RWE Dea and El Paso swap upstream acreage

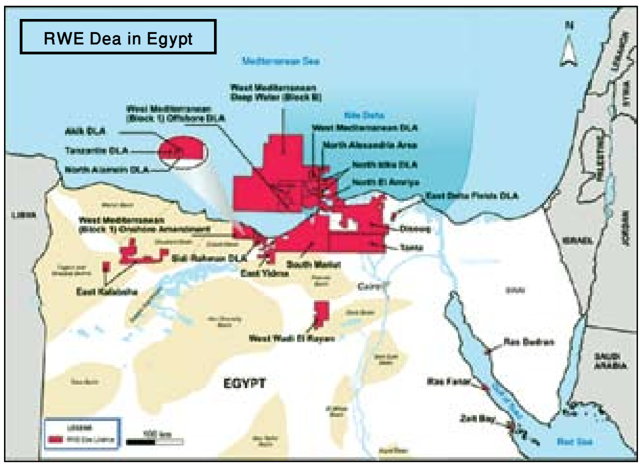
RWE Dea AG, Hamburg, and El Paso Exploration and Production Company entered into an agreement to exchange interests in adjoining exploration acreage holdings in Egypt.

According to a statement issued by RWE Dea, each company has assigned a 40 per cent equity interest to the other in an arrangement involving RWE Dea's Tanta Concessions in the Nile Delta transition area and El Paso's South Mariut Concession in the Western Desert.

"These agreements allow us to join forces with a highly experienced partner to further explore the Tanta and South Mariut Concessions; two of the most prospective onshore blocks offered in Egypt in recent bid rounds", said Hans-Hermann Andreae, General Manager of RWE Dea in Egypt.

With the execution of these agreements, RWE Dea will have a 60 per cent operated interest in the Tanta Block and a 40 per cent interest in the El Paso-operated South Mariut Block.

The Tanta Concession Agreement was signed by RWE Dea with the Egyptian Government in 2007. The Tanta initial three-year exploration program has a two well commitment, the first of which is expected to be drilled in 2010. As a result of the 2005 Egyptian General Petroleum Company (EGPC) open bid round, El Paso was the successful bidder for the South Mariut Block.



The South Mariut Concession Agreement was signed in April 2007 and since that time, El Paso has actively engaged in exploration prospecting activities, including over 800 square kilometers of 3D seismic acquired in 2008. The initial exploration period is three years and drilling of five wells, the spud date of the first well was 31 January 2009.

Al-Theka generates gas for the 1st time

Tharwa Company announced the discovery of natural gas from Al-Theka area, in the Mediterranean Sea, with an estimated daily production of 95 million cubic feet.

Eng. Atef Abdel Sadek, President of Tharwa Co., highlighted in his report to the Egyptian Minister of Petroleum Eng. Sameh Fahmy, that this discovery can be added to the Egyptian map of natural gas production and used to satisfy the local demand.

The development operations of Al-Theka area started in 2007 in partnership with the Italian IEOC. Throughout 20 months, two marine platforms and 50-km pipelines were constructed in association with Egyptian petroleum companies, such as Enppi, Petrojet, Petrobel and Marine Petroleum Services.

Moreover, Abdel Sadek clarified that the company finalized a 1300-km square of 3D seismic studies in the area of Al-Arish, the Mediterranean Sea in order to start the drilling phase of the 1st exploration well before the end of this year.

More gas by Dana Gas

Representing the fourth discovery in a row in the area, Dana Gas made its second gas achievement in the West Manzala Concession in the region of Nile Delta.

The discovery, named West Manzala-2 (Haggag prospect), has encountered approximately 20 billion cubic feet (bcf) of dry gas. The new well, which was spudded on January 18, is located a few hundred meters away from the gas sales pipeline leading from the company's South Manzala gas processing facility.

The company is very pleased with this latest success and will continue its aggressive drilling plan in Egypt in the year 2009. "The company has now had four gas discoveries in the last few months and we will continue with this fruitful exploration campaign," commented Ahmed Al-Arbeed, Dana Gas' Upstream Executive Director.

"This discovery can be brought on stream very rapidly as it is situated near the gas pipeline, which transports gas to the company's South El Manzala gas processing facility. Drilling of additional appraisal and production wells within the Haggag prospect is also being considered," he added. "The production from this discovery is expected to start during the second quarter of 2009."

The West Manzala-2 well (Haggag prospect), which was drilled to a total depth of 1,510 meters in the Kafr El Sheikh formation of Pliocene age, penetrated a total of 13 meters of net gas pay with two separate good quality sandstone zones of 8 and 5 meters thickness respectively. The production test, performed in the lower sand only, flowed 11 million standard cubic feet of dry gas through a 32/64" choke.

Dana Gas ended 2008 with a daily production rate from its Egyptian operations of 31,640 barrels of oil equivalent (boe). This most recent discovery follows the discoveries at El Basant and Salma adding reserves of up to 380Bcf of gas plus associated liquids.

Zoser moves to the GPC

The Egyptian Drilling Company (EDC) has agreed to rent its rig Zoser to the General Petroleum Company (GPC) that will use it to complete the development operations in two fields in the Gulf of Suez "Al-Hamd and North Amer" at a rent fee of $75 thousand a day.

The contract of the rig Zoser, owned by the EDC, has recently ended with one of the joint-venture companies operating in the Gulf of Suez in Egypt last month, said an official from the EGPC.

The rental rate of this rig is considered as a great opportunity to serve the GPC's plan of drilling production wells in the Gulf of Suez area, noting that its rental rate is 35 per cent less than the other rental rates in the market.

The source added the rental rate of this rig would lead many operating companies in the Gulf of Suez to the review their offshore drilling rigs contracts for the development of their fields related to the price rate of Zoser.

Consequently, it helps to increase production of crude oil in the current year, taking advantage of the opportunity of low oil prices and as a result the low costs of auxiliary services for the drilling operations although initial indications suggest that oil prices will resume rising again within the next five months to settle at a level of $80 to $90 a barrel.

Quotes

"The price of diesel will not be reduced"
Egyptian Minister of Trade and Industry, Rashid Mohamed Rashid

"Negotiations for raising gas export prices still ongoing, despite the drop of global energy prices"
Egyptian Petroleum Minister, Eng. Sameh Fahmy

"Losses of the oil-producing countries in the Middle East as a result of the decline in oil prices this year are estimated at $300 billion"
The International Monetary Fund (IMF)

"OPEC most likely to decide declining its output again at its meeting this month"
Iraqi Oil Minister, Hussain Al-Shahristani

"Even with the price of $50 a barrel, we cannot get a decent income for our members"
OPEC Secretary General, Abdalla Salem El-Badry

"Current oil prices do not encourage investments to increase production"
Emirates Energy Minister, Mohamed El-Hamly

Power Well supplies production facilities

Power Well has won the tender made by the Greek company Vegas Oil & Gas for the supply of the early production facilities in the North West of Gemsa in the first week of February.

Additionally, it is expected to get early production from the concession of Vegas in the North West of the Eastern Desert in Gemsa.

On the other hand, the achievement of Vegas last month revealed a new field east of Al-Amir 2, which has a production capacity of approximately 6000bpd as well as six million cubic feet of natural gas per day.

New ATWOOD Rig in North Edku

The German company RWE Dea has brought the "ATWOOD AURORA" rig, from ATWOOD OCEANICS Company on the first of February.

The new rig is situated in the Mediterranean Sea region and will be used for the development of a field in North Edku, which is a concession owned by the German company.

The renting fee of the new rig costs $165 thousand per day.

An official source in the Ministry of Petroleum said that the rig is designed to drill in high water depths up to 350 feet with 3000hp, noting that the contract was for one year and subject to renewal.

RWE Dea launched a global tender earlier this year won by the company "ATWOOD OCEANICS" after a fierce competition with major international drilling companies.

New investments boost Rashid

The Egyptian Minister of Petroleum, Eng. Sameh Famy pointed out that the international companies are keen on increasing their investments in the country. He declared that three major international companies, British Gas (BG), Petronas of Malaysia and the Italian Edison, decided to allocate $2.1 billion for the drilling of new wells and the implementation of projects as part a a complete program to develop the gas fields located in the Western Delta, Rosetta, Rashid and Edko deep water of the Mediterranean.

These fields cover more than 40 per cent of the total output of Egypt.

The Minister's announcement came after receiving a report from Dr. Sherif Sousa, Manager of Rashid Petroleum Company.

This development program brings for the first time in the oil fields of Rashid new technology that will be used to extract natural gas from the extra deep water of the Mediterranean Sea; this technology will facilitate the installation of production facilities at the bottom of the sea using specialized vessels.

Acquisitions & Mergers

Eni sells 100% of Stogit and Italgas

Eni's Board of Directors approved the sale of 100% of the equity of Italgas S.p.A. and Stoccaggi Gas Italia S.p.A. (Stogit) to Snam Rete Gas S.p.A. (50.03% owned by Eni) for a consideration of €3,070 million and €1,650 million, respectively.

Total equity consideration is equal to €4,720 million which will be financed by Snam Rete Gas. The closing is expected to take place by July 2009.

As a consequence of the transaction, Eni will transfer to Snam Rete Gas its gas distribution and storage regulated activities in Italy, creating significant synergies. The transaction is consistent with the unbundling target set by the Italian regulator and will allow Eni to maximize the value of both Italgas and Stogit. The two companies will benefit from higher visibility and achieve increased synergies as a part of Snam Rete Gas. The transaction will create the leading Italian player and one of the major European operators in the regulated business, with a total RAB (Regulated Asset Base) of approximately €20 billion. Furthermore, the company will manage gas transport and distribution networks of 31,000 Km and 58,000 km respectively and have a storage capacity of 14 bcm, including 5bcm of strategic reserves.

Africa Oil boosts its portfolio

Africa Oil Corp. signed a Share Purchase Agreement to acquire a large portfolio of East African oil exploration projects from Lundin Petroleum AB. The projects are located within a vastly under-explored region of the rich East African rift basin petroleum system.

The projects acquired include an 85% working interest in Blocks 2, 6, 7 and 8 and a 50% working interest in the Adigala Block in Ethiopia plus a 100% interest in Block 10A and a 30% interest in Block 9 in Kenya. Africa Oil will assume operatorship of these projects excluding Block 9 in Kenya.

Upon conclusion of the transaction, the Company's total land package in this prolific region will be in excess of 200,000 square kilometers, an area roughly the size of Great Britain.

Rick Schmitt, President of Africa Oil, commented, "Through this transaction, Africa Oil has secured a major East African acreage position in all key petroleum systems which extend into the area. The Production Sharing Agreements provide excellent fiscal terms for exploration and development. The Company has identified numerous large and robust prospects on seismic and we look forward to the opportunity of exploring within a truly world class exploration play fairway."

Pursuant to the Share Purchase Agreement, Africa Oil will pay as consideration to Lundin Petroleum AB approximately $20 million which will be funded through a convertible loan from Lundin Petroleum AB maturing December 31, 2011 and at an interest rate of USD six-month LIBOR plus 3%. The loan, including any accrued and unpaid interest, will be convertible, at the option of either Africa Oil or Lundin Petroleum AB, into shares of Africa Oil on the basis of CAD $0.90 per common share.

INTERGAS V is now firmly established as the must-attend event for all companies working or wanting to enhance their business in Egypt's oil, gas and petrochemical sectors.

Under the High Patronage of H.E. Sameh Fahmy, Minister of Petroleum & Mineral Resources, the full scale international trade exhibition will be complimented by the well established two day strategic conference.

Conference Key speakers include;

- Industry & Energy Minister, Azerbaijan, H.E. Natik Aliyev
- Minister of Petroleum & Mineral Resources, Egypt, H.E. Sameh Fahmy
- OAPEC, H.E. Abbas Ali Naqi, Secretay General
- ECHEM, Eng. Hany Soliman, President & Chairman
- EGAS Eng. Mahmoud Latif, Chairman
- BG Group plc. Ian Hewitt, Senior Vice President, North Africa
- BP Egypt, Hesham Mekawi, Chairman
- Shell Egypt , Ahmad Atallah, Country Chairman & Managing Director
- ENI IEOC Alessandro Puliti General Manager
- The World Bank, Emmanuel Mbi, Regional Director for Egypt, Yemen & Djibouti
- Vice Chairman for agreements & exploration, EGAS, Geo. Rashid Mohamed Rashid
- Ganope & E.G.P.C, Senior representatives
- International Energy Agency (IEA), Dr Kamel Bennaceur

Conference Agenda

The International Strategic Conference agenda will cover:

- Opportunities for investment in the upstream sectors in Egypt - onshore, offshore and marginal fields
- Opportunities for investment in the downstream sector - and Petrochemicals
- The outlook for further development of Egypt's LNG industry - economics, gas supply and markets
- Financing energy projects in Egypt
- Sustainable development and HSE

Conference Program

First Day

Spectacular opening ceremony with over 900 delegates
Official inauguration and tour of the impressive exhibition
International Strategic Conference

- Financing energy projects
- The role of the energy industry in Egypt's development
- Strategic advantages of investing in Egypt

Second Day (the day will be split in two tracks)**:**

Upstream Program

- The future of Egypt's gas industry – towards further international expansion
- Investment opportunities in upstream oil
- Health Safety and the Environment

Downstream Program

- Egypt's thriving petrochemicals sector
- Subsidies and allowances
- Domestic gas utilization and power generation
- Natural Gas Vehicles (NGVs): LNG/ CNG
- Outlook for transport and other fuels
- Shop "convenience retailing"
- Lubricants solutions for the Automotive, Cement, Steel and Construction industries
- Marine services: marine fuels, lubricants, coolants

Third Day

Intergas technical sessions
1st Intergas careers day – employment opportunities in the oil and gas industry

For more information

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Technip sets a base in Iraq

The State Company Oil Project (SCOP) granted Technip a €20-million lump sum contract, for the front-end engineering design (FEED) of a new refinery to be built in Karbala, Iraq.

With an overall capacity of 140 thousand barrels per day, the refinery is planned to produce liquid petroleum gas, gasoline, jet fuel, diesel oil, asphalt and fuel oil mainly for the internal needs of the Iraqi market.

The new Iraqi refinery is characterized by its 18 process units, reflecting the state-of-the-art technologies. It will also include related utilities, offsite facilities, infrastructures and a dedicated power plant.

Technip's operating center in Rome, Italy, will execute the contract, which is scheduled to be completed in the first half of 2010.

Technip is a world leader in the fields of project management, engineering and construction for the oil & gas industry, offering a comprehensive portfolio of innovative solutions and technologies.

Halliburton awarded $600MM Angolan contracts

Halliburton has been awarded long-term high-value contracts by BP Angola. BP's Angola Program covers up to four developments, to be based on a standardized design, and drilling activity is scheduled to commence in 2010.

The first development in Block 31, PSVM, was recently sanctioned by BP Angola and its partners. Block 31 covers an area of 5,349 square kilometers and lies in water depths of between 1,500 and 2,500 meters. The Plutao, Saturno, Venus and Marte (PSVM) fields lie in the north east sector of Block 31, in a water depth of approximately 2000m, some 400 kilometers north west of Luanda. First oil for these fields is planned in 2011 and is expected to build to a plateau of about 150,000 barrels per day by 2012.

The operator (BP) and its co-ventures have announced fifteen discoveries in Block 31 to date. Full development will comprise multiple hubs. PSVM, specifically, will comprise a converted hull floating, production, storage and offloading vessel (FPSO) with 1,600,000 barrels of storage capacity; 48 production, gas and water injection plus infill wells; 15 manifolds and associated subsea equipment; 170 kilometers of flowlines and 95 kilometers of control umbilicals.

Commitments related to the remaining three developments are anticipated to be awarded upon sanction of the additional projects, with the drilling program taking place over a multi-year period. The development program in total is expected to eventually exceed 150 wells.

The contracts awarded to Halliburton encompass the key elements of Well Completions including Upper and Lower Completions Equipment and Downhole Flow Control. In addition, Halliburton has been awarded the Drilling and Completions Fluids business for these wells.

The estimated value of these contracts will, if all four developments are sanctioned, be in excess of $600MM.

Wells sank at Qatar GTL

Super major Anglo Dutch Shell said its Pearl Gas-to-Liquids (GTL) venture in Qatar is drilling 22 offshore wells that will feed natural gas to its liquid fuels plant in the Persian Gulf state.

The world's biggest GTL venture is drilling 11 wells at each of two platforms, said Shell in a statement.

The platforms are 60 kilometers offshore in water, as deep as 40 meters and located in the North Field, which contains more than 900 trillion cubic feet of gas, it said.

The Pearl plant, due to start up by the end of the decade, will produce 140 thousand bpd of liquid fuels and 120 thousand bpd of condensate and liquefied petroleum gases, enough fuel to fill more than 160 thousand cars a day, according to Shell.

Qatar's gas reserves are the world's third largest, according to a *Bloomberg* report.

Double targets for Edison

Italian utility Edison revealed its interest to bid for two gas fields in Iraq's first oil and gas bidding round and to start drilling in Iran, said a senior company executive.

"We are interested in both fields," Pietro Cavanna, Edison's Head of Oil and gas Assets, told Reuters. "We will do our best to deal with competition for resources and capital and to be successful."

It was too early to say if Edison would definitely bid, he added, speaking on the sidelines of a workshop in Istanbul hosted by Iraqi officials for energy firms preparing to bid for oil and gas contracts. Edison is eyeing the gas fields of Akkas and Mansuriyah, which are offered as a part of a bidding round including Iraq's most prized fields.

Edison, which is jointly controlled by French power giant EDF and Italian utility A2A, is among 35 companies that Iraq has declared qualified to bid for the oil and gas contracts.

In addition to Edison's plans in Iraq, the company is to start drilling at the Dayyer offshore block, in Iran by the end of this year.

"We think this field is a good prospect," Cavanna said. "We hope to start drilling by the end of this year or in early 2010, depending on the availability of rigs."

Edison had come under no political pressure to stay out of Iran since signing the deal, he highlighted. The administration of former U.S. President George W. Bush put political pressure on companies and countries that courted Iran for energy deals, as the United States looked to isolate Iran over its disputed nuclear program.

Back to January 2008, a $107-million contract was signed between Iran and Edison. The Dayyer field was one of three blocks awarded to international oil companies out of 17 offered for bidding in early 2007.

Be A part of the Big Apple with British Airways

BRITISH AIRWAYS

British Airways travellers on the highly popular route between Cairo and New York, will find that they have a remarkable connection time in this year's summer timetable, eased by a smooth connection through Heathrow's state-of-the-art Terminal 5.

Leisure travellers looking for that different experience can enjoy **New York for only EGP917, London for only EGP816 and Vancouver for only EGP3102**, without compromising the upgraded experience British Airways has to offer to its travelers. As part of its new leisure campaign, British Airways asked a native New Yorker what makes New York City such a great place for an urban trip? Here is what he replied:

Many New Yorkers spend their entire lives within the five boroughs that make up our city (Manhattan, Bronx, Brooklyn, Queens and Staten Island). Why do they never leave? Because you can find anything and everything here. From the newest boutique hotels to incredible (and I mean incredible) shopping; from the greatest steak you've ever tasted, to the finest fast food known to man, NY has the lot.

And then there are all the hidden treasures tucked away in this, the most densely populated American city. Because, to experience the real New York City, you need to forget about the Statue of Liberty and the Empire State Building (it's too cold to visit them at this time of year anyway!)

As a true traveller, rather than a regular tourist, where do you start to plan your trip to New York City? You can buy numerous travel guidebooks and spend hours online trying to discover hidden treasures, but only a true local can give you the inside tips for experiencing the real New York.

British Airways knows a thing or two about travel. And it knows how to get to the heart of a destination. For its new "find the real there" campaign on ba.com, BA has sought out the suggestions of local people in destinations all over the globe to ensure that its passengers get to, quite literally, "find the real there".

New York's no exception. Log on to ba.com and you'll see for yourself. Tip number one, for example, must be its recommendation for the finest peanut butter sandwich in the city (the 'Elvis' at Peanut Butter & Co., 240 Sulivan Street, Greenwich Village. I quote: "Ingredients: 2 slices of deep fried buttered bread, peanut butter, bacon, banana, honey. Then have a lie down.»!) Another great tip: Which elevator ride to take for a rush! (It's the Hilton Hotel, Times Square.)

Decision number 1 for any visit to NYC is where to stay. As a traveller on a voyage of discovery, you'll probably want to avoid the fancy chain hotels in favour of something a little more, well, real. Among New York's best-kept secrets are its authentic, urban-chic boutique hotels. (It helps that they're also easy on the wallet!) Starting with Hotel 17, furnished in kitsch, shabby-chic décor (think mismatched floral wallpaper and 1970s wooden furniture), it was once called the Warhol factory in the 1990s and a pre-fame Madonna lived in the building.

If the whole retro feel is not for you, then the futuristic Pod hotel, all slick and ultra-modern might be more your thing. Here, petite rooms have iPod docks, free WiFi and LCD-screen TVs - all squeezed into a slick, streamlined space. On the other hand, if you're looking for something with faded rock-star appeal, then the cult Chelsea Hotel might be more appropriate. In the heart of bohemian Chelsea, it has played host to Bob Dylan, Jimi Hendrix and Sid Vicious over the years. Each of the rooms at the Chelsea has a belle époque, hedonistic air (there's more information on all of these hotels at bahighlife.com).

So, you're settled into your hotel. Now it's time for some serious shopping. One of the coolest places to start is in SoHo (between Houston Street in the north, Canal Street in the south, Lafayette Street in the east and Sixth Avenue in the west). Here you'll find everything from the chic boutiques of fresh designers just starting out, to the more established Sao, TSE and John Varvatos, as well as vintage shops such as the Chelsea Girl, Patina and What Goes Around Comes Around.

If designers are more your thing (but like a true New Yorker you've got a good eye for a great deal) then Filene's Basement, Designer Sample Sale in SoHo and Century 21(Financial district) are the places to go. If you really just want to shop for top notch labels and Jimmy Choo shoes, then pay a visit to Zoe in Brooklyn.

With shopping out of the way, it's time to sample some of that great New York food you've been hearing about. And what better way to start than… Pizza! New Yorkers are very proud of their pizza, and there's a long-running feud between NYC and Chicago as to whose is better. So join in the debate and grab a slice. Many claim that the best pizza in NY is to be found at Joe's Pizza, right off Bleeker Street. With the New York Magazine claiming that "The true street pizza is the slice & the quintessential New York slice is at Joe's Pizza" and Ben Affleck being quoted on a picture outside that "this is the best pizza in the entire city", it's worth waiting in line for a slice - even in the cold!

If you like a good steak, then stop by Peter Luger's Steak House in Williamsburg, Brooklyn. It's a basic place but the steaks are so good that it's become a favourite haunt for NY's celebs. Of course, you're not a New Yorker until you've experienced a diner or delicatessen, so head over to Coney Island to get a famous coney dog at Nathan's, and then try Katz's Deli in the Lower East Side for brunch, for the best, most mouth watering pastrami sandwich you'll ever taste! This place gained fame from the film 'When Harry Met Sally', and it kept it with its top quality sandwiches. Check out the pictures on the wall and you'll see how many celebs have dined here.

Trust a local and make New York your city this season.

Information on almost all of the above mentioned locations, and basically anywhere worth visiting in New York City can be found at nycgo.com, which now has a new NYC Official Information Centre available.

British Airways, the UK's flagship carrier currently operates daily services from Cairo Airport to London Heathrow and 5 weekly flights from Heathrow's Terminal 5 to New York City. All flights offer four classes of service, First, Club World business class, World Traveller Plus premium economy, and World Traveller economy. All Cairo services currently operate out of Heathrow's Terminal 5. Visit ba.com for more about the real New York City and to discover British Airways' other destinations worldwide.

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- Fares are for return travel in the World Traveler Economy Cabin.
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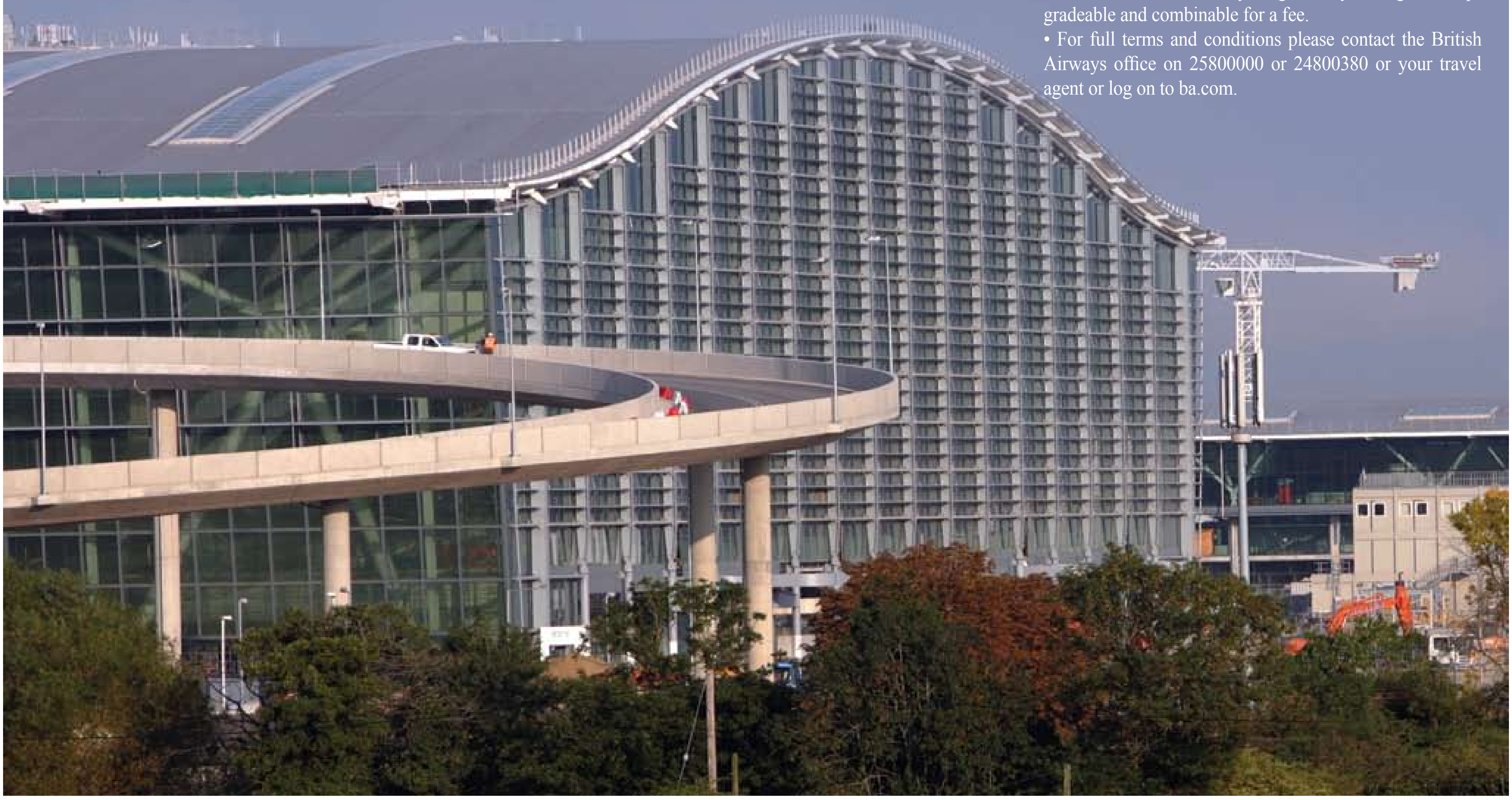
- For full terms and conditions please contact the British Airways office on 25800000 or 24800380 or your travel agent or log on to ba.com.



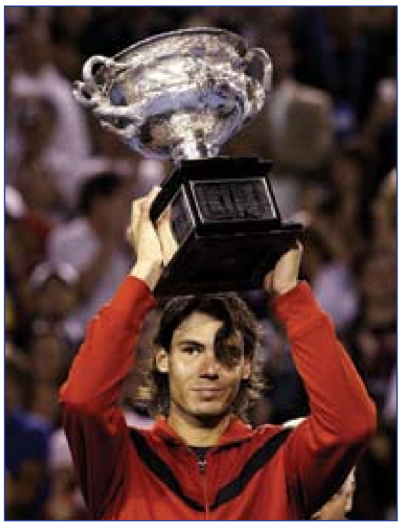
Nadal rules the top

Rafael Nadal became the first Spaniard to win the Australian Open

World's No.1 Rafael Nadal has confirmed his place at the pinnacle of men's tennis following a classic five-set victory over world No. 2 Roger Federer in the Australian Open 2009 final. It was a battle worthy of a major final, and the world's top two players put on a memorable performance before the Spaniard triumphed 7-5 3-6 7-6(3) 3-6 6-2, after four hours and 23 minutes on court.

It is the 3rd time in the last four Grand Slam events that Nadal and Federer have played the championship match, and again it was Nadal who emerged superior, winning his first Australian Open title.

Nadal joined an elite group of just 12 men who have managed to win three Grand Slam titles on three different surfaces since the Open Era began. He took his tally of major titles to six and his record of Grand Slam final appearances to eight – and all of that achieved in just 20 visits to the four major championships.



When Nadal first started chasing Federer around the Grand Slam circuit, the Swiss was happy to concede the French Open to his young rival. But over the past three years, Nadal has proved himself to be the unstoppable force on clay, on grass and now on a hard court. Federer has nowhere left to hide.

Standing alongside, the four men he beat in the four major finals that year were Andreas Gimeno, Ken Rosewall, John Newcombe and Tony Roche. A bigger collection of legends you could not hope to find late on a Sunday night, and the fact that Federer wanted so dearly to be one of them, to win that magical 14th Grand Slam title and match Pete Sampras' record, was his emotional undoing.

"To have the trophy presented to me by a legend like Rod Laver is a dream for me," Nadal said. The legends had come to see Federer become one of their numbers, but instead, they stayed to applaud Nadal. With only the U.S. Open left to conquer, it will not be long before Nadal becomes a legend himself. And that really will make Federer cry.

Red African Supremacy

Proving their supremacy at the continental and regional levels, Al Ahly won an exceptional fourth African Super Cup

Two trademark headers from Angolan striker Amado Flavio gave Al Ahly a 2-1 home victory over Tunisia's CS Sfaxien and a record fourth African Super Cup title at Cairo Stadium last month.

The Angolan opened the scoring two minutes after the restart through a near-post header, after being set-up by his compatriot Gilberto. However, Ivorian striker Kouassi Blaise equalized three minutes past the hour mark, but Flavio once again came to Ahli's rescue and give the lead to them.

Al Ahly sorely missed the presence of influential playmaker Mohamed Abu Treika, who was ruled out of the game due to a muscle injury.

"We were the better team throughout the game and the better side always wins," said Al Ahly Coach Manuel Jose during the post-match press conference.

"Flavio is an excellent striker but we don't rely on individuals, we have a team that boast many good players."

Abu Treika clinched the the Inter-Club Player of the Year

Arsenal striker and Togolese skipper Emmanuel Adebayor was named African Footballer of the Year at an awards ceremony, held in Lagos, last month. Adebayor, 25, beat final nominees Mohamed Abu Treika of Egypt and Ghana's Michael Essien in a vote that involved the national team coaches of Africa's 54 nations and Caf's figures which in conclusion gave Adebayor 74 points to Aboutrika's 53.

On the other hand, Abu Treika won the Inter-Club Player of the Year Award, given to the best player playing in Africa. Egypt's Ahli was voted the best club, Egypt's national team the top squad, and its coach Hassan Shehata Best Manager.

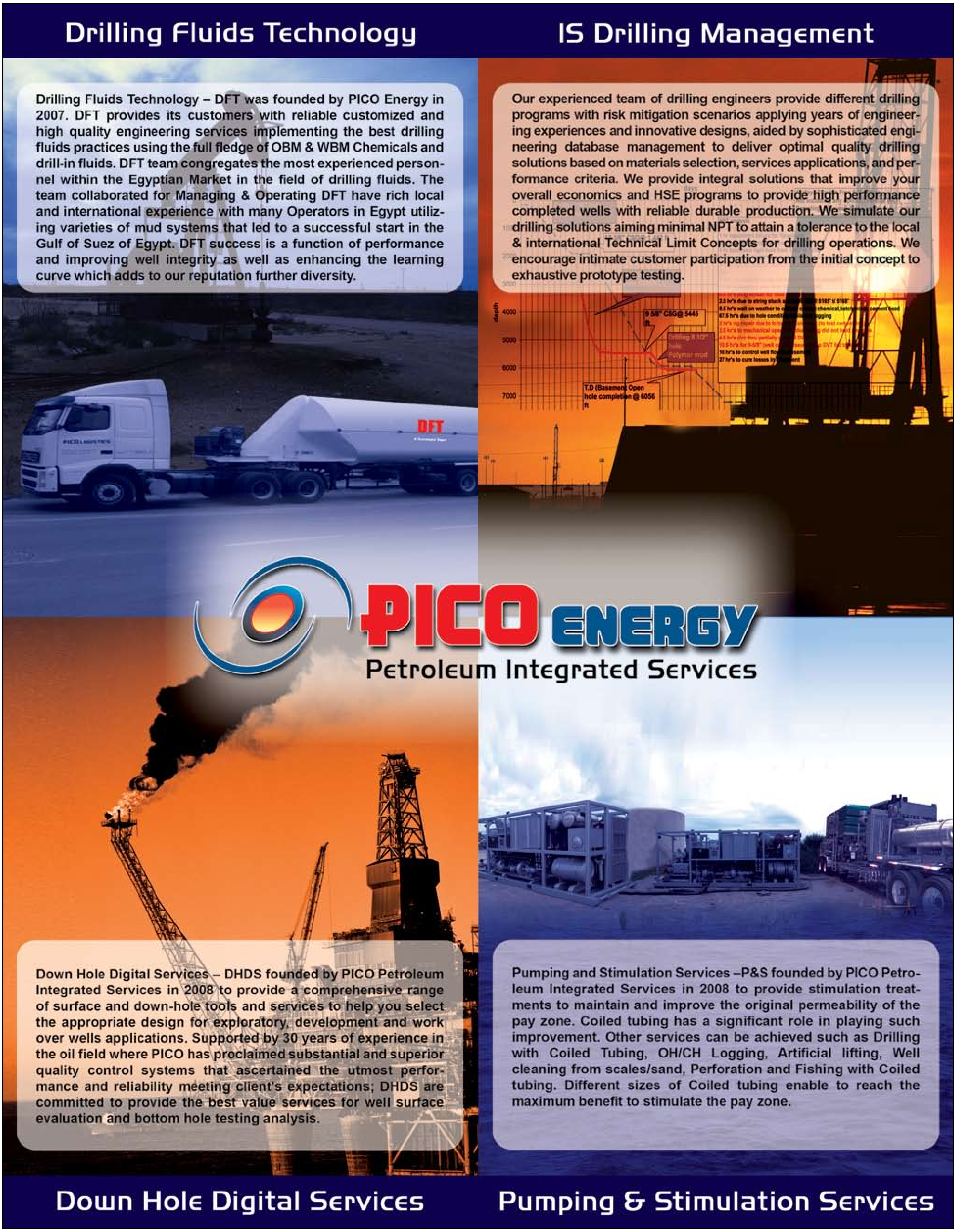
Raul sets Real Madrid record

Raul Gonzalez scored his club record 308th goal and then added another in Real Madrid's 4-0 win over Sporting Gijon in the Spanish league.

Gonzalez, who is known by his first name, turned in Sergio Ramos' low cross with the inside of his left foot in the 15th minute to surpass Alfredo di Stefano and become Madrid's career leader with 308 goals in official competitions. The 31-year-old Raul added No. 309 in the 76th after jumping on a loose rebound inside the box.

Raul tied Alfredo di Stefano's record of 307 goals for the club, scored twice to take his tally to 309 and help Madrid close within 10 points of first-place Barcelona. Klaas-Jan Huntelaar and Marcelo also netted.

"It was an important day to gain ground," Raul told Madrid's Web site. "We reduced the lead by two points and added distance between us and those behind in the table."


Drilling Fluids Technology
IS Drilling Management
Drilling Fluids Technology – DFT was founded by PICO Energy in 2007. DFT provides its customers with reliable customized and high quality engineering services implementing the best drilling fluids practices using the full fledge of OBM & WBM Chemicals and drill-in fluids. DFT team congregates the most experienced personnel within the Egyptian Market in the field of drilling fluids. The team collaborated for Managing & Operating DFT have rich local and international experience with many Operators in Egypt utilizing varieties of mud systems that led to a successful start in the Gulf of Suez of Egypt. DFT success is a function of performance and improving well integrity as well as enhancing the learning curve which adds to our reputation further diversity.
Our experienced team of drilling engineers provide different drilling programs with risk mitigation scenarios applying years of engineering experiences and innovative designs, aided by sophisticated engineering database management to deliver optimal quality drilling solutions based on materials selection, services applications, and performance criteria. We provide integral solutions that improve your overall economics and HSE programs to provide high performance completed wells with reliable durable production. We simulate our drilling solutions aiming minimal NPT to attain a tolerance to the local & international Technical Limit Concepts for drilling operations. We encourage intimate customer participation from the initial concept to exhaustive prototype testing.
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Down Hole Digital Services – DHDS founded by PICO Petroleum Integrated Services in 2008 to provide a comprehensive range of surface and down-hole tools and services to help you select the appropriate design for exploratory, development and work over wells applications. Supported by 30 years of experience in the oil field where PICO has proclaimed substantial and superior quality control systems that ascertained the utmost performance and reliability meeting client's expectations; DHDS are committed to provide the best value services for well surface evaluation and bottom hole testing analysis.
Pumping and Stimulation Services –P&S founded by PICO Petroleum Integrated Services in 2008 to provide stimulation treatments to maintain and improve the original permeability of the pay zone. Coiled tubing has a significant role in playing such improvement. Other services can be achieved such as Drilling with Coiled Tubing, OH/CH Logging, Artificial lifting, Well cleaning from scales/sand, Perforation and Fishing with Coiled tubing. Different sizes of Coiled tubing enable to reach the maximum benefit to stimulate the pay zone.
Down Hole Digital Services
Pumping & Stimulation Services

Field Development back on track!

When the wheel of new explorations slows down, costs become unaffordable, and new investments draw back, then it is time to focus on old fields and turn on the engine of development. In the shadow of the current global economic crisis, initiating new E&P projects is no longer on the top of list set by the petroleum companies this year, therefore the most suitable alternative to keep an ongoing oil and gas production is summarized in two words; Field Development

By Yomna Bassiouni
Tamer Abdel Aziz

This year's strategy stresses on cost saving, in other word, companies are studying means to maintain the level of their operations as possible and at the same time reduce their costs to avoid the negative effects of the current economic collapse. Presently, to initiate and E&P program in the un-explored area and to start all the process from scratch require a lot of investments. Hence, it is more feasible to focus on existing fields, develop them once more in order to re-generate production flow and trim down the company's costs.

Focusing on the Egyptian petroleum sector, there is an intensive plan for field development this year, which covers various areas of the country. This plan is witnessing the participation of numerous petroleum organizations, which are operating locally and internationally.

Western Desert… the core of development

The Western Desert symbolizes the most vital location for E&P in Egypt; it incorporates the largest share of petroleum operations in the whole country. As a result, it can be considered as the main core for the field development programs. According to the data provided by the Egyptian General Petroleum Corporation (EGPC), the program covers 10 focal areas executed by four companies; Vegas Oil & Gas, Apache Egypt, Shell and Sipetrol.

The Alam El Shawish Concession, having Vegas Oil & Gas the operator, witnesses a development program for two fields, Al-Barq and Bahga. For each one, two wells to be drilled for evaluation. During the early production phase, crude oil will be transported to Badr El-Din, and then moving to the South of Dabaa.

The production phase for the two fields began in fact in December 2007. The Al-Barq and Bahga started their production with a rate of 700 and 500 barrels of oil per day (bpd) respectively.

The second operator in charge of developments in three areas is Apache Egypt. The company has set an approximately $15-million plan for the West Kanayes. Back to April 2002, Apache achieved its first oil and gas production from its Ras Kanayes lease at the rate of 2,130 barrels of oil and condensate in addition to 17.8 million cubic feet (MMcF) of gas per day from the Jurassic Khataba formation. Apache operates Ras Kanayes as part of its Khalda operations. This development lease compromises more than 78 thousand acres in the Matruh Basin, about 230 miles west of Cairo.

In the framework of Matruh development lease, Khalda, a 50-50 joint venture between the EGPC and Apache, drilled Jade 5 development well in the Matruh development lease, Northern Egypt Basin, to a depth of 3,803m, in late November 2008. The well was spudded on 21 September 2008 using the L/R "EDC-8" with a PTD of 3,901m and objectives in Lower Cretaceous Alam El Bueib "5", "6", "3D" and "3G" units.

On 25 October 2007, Khalda announced that its vertical well Jade 2 in the Matruh development lease, yielded at a rate of 26.7 MMcf/d of gas and 1,325 bc/d. The well was the first test of the Jurassic Alam El Bueib "6" unit reservoirs in the Jade structure along the Matruh Ridge, confirming resource potential identified on well logs in the Jade 1 discovery.

Back to Apache's program in the Western Desert, its second targets is the South Eastern Baraka area, where a complete development strategy worth $3.148 million is held in association with Qarun Petroleum Company, which will be responsible for the carrying of crude to El-Karama area, to the processing unit of the company. The plan also includes the drilling of seven wells, initiation of a water injection project, supply of production facilities, storage tanker for up to one thousand barrels, pipelines installation, and a possibility of extending pipelines to El-Karama area in case of production increase.

The third area of interest for Apache is the Cygnus-1, where a total of 2.34 million barrels of oil reserves is expected to be extracted. In early June 2007, the company suspended the vertical exploration well Cygnus 1 as an Upper Bahariya oil discovery in the Shushan "C" concession. The objectives were the Cenomanian Bahariya and the Albian Kharita formations. The well was spudded on 18 April 2007, at a location 5 kilometers of Kahraman B-22 gas and condensate discovery.

The company investigated the possible extension of a new Jurassic play confirmed in the Kahraman B-22

discovery made in the Khalda concession in November 2006. Apache Oil Egypt believes it may have opened up a new area for development with both sand quality and pay improving to the north of the Kahraman B-22 discovery. The company is using a new Jurassic exploration model based on the geological and geophysical analysis of the Qasr field, discovered in the Khalda concession in 2003.

On 11 November 2008, Khalda Petroleum Co. (Khalda) completed development well Cygnus 11 in the Shushan "C" concession, Shushan Sub-basin, Western Desert as a Bahariya water injector. The well was spudded on 29 October using L/R "EDC-62" and drilled to TD of 2,134m. The well has a PTD of 2,134m and the Bahariya formations as the objective.

Besides the recognizable programs of Vegas and Apache, Shell Egypt joins the list of companies developing the fields of the Western Desert. With two projects, Shell set plans for the Northeast Abu Gharadig and West Wistra-1. In the first area, the company intends to start production phase for its two wells, Al-Fadl-1 and Al-Kadr-1 in addition to the drilling of three more wells (one in Al-Kadr and two in Al-Fadl). Back to May 2004, Shell Egypt and Badr el-Din Petroleum Company Bapetco (a 50-50 JV between Shell and the EGPC) announced that its Sheiba 18-3 discovery well in the successfully tested up to 1,600 barrels of 36 degree API oil per day and 0.9 million cubic feet of gas per day. Two years later, the two companies announced the first Alam El-Bueib discovery in the Abu-Gharadig Basin in the BED-1 development lease.

Shell's second area of interest is West Sitra-1, in which it aims at connecting the WS J1-1 well (WS 1-3) to the production line of BED 2-2 well, through which the produced gas can be inserted to the facilities of Badr-2. The estimated investments of this development plan counts for nearly $6 million. The first Jurassic discovery in the West Sitra concession was achieved in December 2006; the company completed the deep Jurassic exploration well WS J1, reaching a total depth of 5,077 meters in the Khatatba formation. The well encountered 39 meters of gas, in the Upper Safa Sandstone.

The four reaming areas to be developed this year in the Western desert lie in the share of Sipetrol S.A. The company has allocated more than $17 million for the fields of Shahd, Ghard, Rana and Southeast Shahd.

On April 16, 2007, Enap Sipetrol S.A. achieved an oil discovery in the East Ras Qattara block, with the drilling of the Ghard-1 well. It has already made a previous discovery in this area, with the Shahd-1 well in November 2006. The Ghard-ST1 well was drilled to a depth of 3,436 meters and proved the existence of oil in the lower Bahariya formation. A 10-meter thick zone of interest was proven at a depth of 3,341 meters, which produced light oil of 40.5 degrees API, at an initial rate of (2,026 barrels per day, plus 2.6 million cubic feet of gas a day.

Melrose brings West Dikirnes on stream

At the beginning of 2009, Melrose Resources said that it had brought the West Dikirnis-7 horizontal development well, at one of its nine development leases in the onshore Nile Delta, into production at a rate of 3,000 b/d of oil and 4.4mn cfd of gas, as part of its ongoing efforts to maintain production levels. The company expects to produce around 200mn cfd equivalent of oil and gas from its Egyptian assets over the next two-three years, Melrose Chief Executive David Thomas told MEES . Most of this comes from West Khilala, which is producing just over 100mn cfd of gas.

The West Dikirnis field is now producing around 7,000 b/d of oil and 16mn cfd of gas, down from 10,000 b/d at the beginning of last year. In addition to the West Dikirnis development well, the East Abu Khadra field was recently brought on stream and is currently flowing at 7.9mn cfd of gas and 125 b/d of condensate.

"We have got four new developments coming through," said Thomas. "Melrose is currently restricting the amount that each well produces in the short term, in order to limit their gas output and prevent the reservoir pressure from falling, which could result in the loss of oil reserves. The Scottish-based company is planning to start re-injecting gas in the middle of this year, in order to raise production from the wells, and for this reason it is commissioning an LPG recovery plant, which is designed to strip propane and butane out of the gas before it is re-injected. When we have installed those [gas re-injection and LPG recovery] facilities and drilled a couple of horizontal wells, we should be able to maintain [liquid production] rates of around 10,000-11,000 b/d".

More developments in the Eastern Desert and Suez Gulf

In the 2009 plan for the Eastern Desert area, there are five main fields targeted for development, which are the East Arta, East Hoshia, Northeast October, East Ras Budran and Muzhil. The first two fields are operated by Canada's TransGlobe Energy, which has acquired the assets of Dublin International Petroleum and Drucker Petroleum, which are assets of Bermuda-registered Tanganyika Oil, in the West Gharib Concession for $59 million in September 2007.

TransGlobe completed a 360+ km2 3-D seismic acquisition program covering the East Hoshia, Hoshia, North Hoshia, Arta and East Arta development areas in October 2008. Mapping and interpretation are underway. Moreover, the company announced last January that the East Hoshia #2 exploration well was drilled to a total depth of 9,038 feet and initially completed as a potential Thebes oil discovery. Testing is ongoing in this well.

The third development project in the Gulf of Suez is carried out by the Arabian Company for oils, which plans to start production from its Southwest October this year at a rate of 1300 bpd that will be gradually increased to 5900 bpd by 2012. The company's program includes the construction of a production platform to be connected to Southwest Octoober-1, which will be put on production line next May.

Among the companies enjoying more than one-area operations is Apache, which has a recognizable development plan in the Gulf of Suez in addition to its projects previously discussed in the Western desert. The East Ras Budran Concession symbolizes the company's station in this area. Apache has spudded exploration well ERB-A-1X in mid 2007, which it intends to complete the development of this well, covering 521 square kilometers onshore in the Gulf of Suez, with a $17.5 million investments.

The last project in the list of development occurring in the Gulf of Suez is the Muzhil field, operated by Petzed, a fully owned subsidiary of National Petroleum Company (NPC). The company plans to construct an offshore platform with all required production facilities in order to start the production in the second quarter of this year at a rate of 4000 bpd of oil from the two fields Muzhil-1 and Muzhil-2.

It is worth mentioning that Petzed achieved the first commercial oil discovery in South Abu Zeneima, in Jul 2007. The well tested in Muzhil-1 field, 1900 bopd in aggregate from two different layers. Muzhil-1 is located in the South Abu Zeneima block situated on the Eastern side of the Gulf of Suez. The block covers 151 km2 in area and is surrounded by producing fields such as Rhudeis, October and Tanka. The block is fully covered by 3D seismic data. Petzed acquired 100 per cent stake in the South Abu Zeneima concession in March 2006 with transfer of ownership in December 2006 by a deed of assignment.

Moving to the Eastern Desert, Vegas Oil & Gas is dominating the area with its development program for Al-Amir. Last January, the Greek company emphasized achieving a new discovery in the Eastern Desert in West Gemsa "Al Amir-2 well" after a test on the bottom layers and perforated 20 feet and gave preliminary results with 64/64 inches. The production rate averages 6000 bpd of crude oil and nearly six million cubic feet of natural gas. The company has set a two-year development program, including the drilling of three evaluating wells as an attempt to increase the production.

Sailing in the Mediterranean

Being described as the conductor of the largest gas development program in Egypt, BG Egypt continues its mission in the Mediterranean Sea area, the West Delta Deep Marine (WDDM) concession, Phase V. The delivery of the first gas from WDDM concession Phase IV project (WDDM IV) to the Egyptian domestic market was achieved in February 2008, one month ahead of schedule. Located approximately 120 kilometers offshore Alexandria in the Mediterranean Sea, the upstream development was undertaken through BG Egypt's joint operating company, Burullus Gas Company, in collaboration with Saipem, the drilling and installation contractor. The project marks the first time that all sub sea structures were fabricated entirely in Egypt by Petrojet, an affiliate of the Egyptian General Petroleum Corporation (EGPC). BG maintains its success in the area with strengthening its development plans for the concession.

The Gulf of Suez Petroleum Co. (GUPCO) has allocated $725 million for its 2009 field devlopment and rehabilitation of facilities

PICO 4 to foster the integrated service concept in Egypt

PICO '4', the world's largest and most technically advanced liftboat sets to change the mindset of workover in the GOS. Sherif Wadood, Managing Director of PICO Energy Holding, sheds light on how it would be of benefit to the market

By: Mohamed Fouad

What is PICO '4', and what were the reasons behind making the decision in investing in a liftboat?

Egypt's focus now is to arrest the depletion, It is workover time, there shall be a major migration from drilling to workover within this period, because workover costs much less, and the yield is extremely awarding and fast.

Investing today in drilling a new well in the GOS would cost $12 to $14 million with wells producing an average of 2000 bpd, while a medium size work over, would cost $3 to $4 million producing an average of 700-750 bpd. This is one of the major reasons behind such an investment, we will be able to provide our customers a 60 per cent less cost of a normal workover operation that would cost them 4 million dollars.

Investing in PICO 4 is massive, the total investment of the liftboat with its supply vessel reached up to $100 million. The decision was made based on certain realities, as we have been watching the trials of others investing in liftboats and bringing them in the Egyptian market since 2001, during this period, GUPCO and Petrobel issued tenders for such boats, and most trials were not successful due to its high cost and lack of knowhow, as also no one wanted to take the risk, knowing the weather conditions in the Gulf of Suez were and are very challenging,

When we decided, we looked into investing a class that would resist the weather to a certain extent and assure quality and time are provided. Another reason behind such an investment, was a simple fact, in the Gulf of Mexico there are a large number of liftboats, as in the Gulf of Suez, there are none, and both areas are similar in many cases, you have mature fields, a massive need for work over, and very tough weather conditions as well, also knowing they are economical and much better suited than a rig, not only because it is cheaper, but also it is much better suited to perform various types of workovers than a rig. This was very clear to us, that the market in Egypt is in need of at least 8 to 10 liftboats.

What does PICO '4' technically obtain that would be of benefit to the market?

PICO 4 design is specially made for the conditions of the GOS, we modified a couple of things on the original design to suite the GOS. First, it is a massive boat, it can use short weather windows, it can jack up or down in 45 minutes (8 feet per minute), which is almost a record, compared when jacking up a rig it takes almost 6 hours. So you can jack down quickly and move if you have a short weather window of two hours, which you always have in the GOS, knowing the issue of wind speed fluctuation in this area.

With these weather conditions, rigs and static barges cannot use weather windows, because you would require tugs and supply vessels, so basically it is not an option for them to move, therefore you would find a rig waiting a month for the weather window to move, and paying a $100,000 to $120,000 per day. Using PICO 4, you shall be saving this cost, as it moves in any weather window condition.

Looking into the other features, we chose a very expensive method of working on the well, we bought a very advanced workover rig from a Canadian company that is extremely impressive, instead of using the usual stubbing unit which has major limitations, because it cannot work in high speed winds. We went to another search and designed the cantilever with a reach of 25 feet and we placed the workover rig on the cantilever that has a fully automated hydraulic chain system in a closed box, so you can pull, run and rotate up to 225 tons, which is quite massive, you can workout every kind of well, and actually with the liftboat you can release the rig area and have your completion with the rig which is fully equipped with coiled tubing unit, slake line unit, logging unit, mud tanks and of course the workover unit. Also PICO 4 has accommodation facilities. We added to the liftboat a massive supply/accommodation vessel, bought from the UK, to accommodate a large amount of personnels and supply, in my opinion, I think of it as an ambulance unit in the GOS working over my patients, the wells, quickly moving from one to another. The difference in cost of this rig compared to the normal offshore workover rig is about seven times the cost.

How economic would it be for operators to work with PICO '4'?

Our aggressive commercial structure of PICO 4 is to penetrate the Egyptian market, one of the main obstacles of bringing such a liftboat to this market, is the uncertainty with the contractor, as the contractor would like to have mobilization fees upfront and the operator would like to make sure this boat would fulfill its objectives. No one wants to pay $10 millions, then wait for the results and of course not knowing how weather resistant is it, are they going to utilize the liftboat for 150 to 200 day from the 365 days, and the rest would be waiting on the weather conditions, as this would be something very painful for the operators. Considering all of these factors, and as we are specialized in integrated services, we wish to alter the mind set of this market towards integration because we do not believe for a job in the oil and gas sector we need 20 to 30 contractors, we maybe need one general contractor and many sub contractors, as the operator needs to deal with 1 contractor who can manage the drilling operation, this way we will stop the blaming game, we will save a lot of money and assure the quality. Therefore we have decided to offer the liftboat with all its equipment in an integrated manner. We are offering the market a solution to insure offshore workover jobs, and we identified 9 types of workover jobs, and we put them into a menu style as we will quote our customer a lump sum for the job. We are taking the risk of the weather, we shall never charge for waiting on weather conditions. We shall plan the job including every single detail and the customer shall pay me when we deliver the job. We shall take the risk.

If you look into the costs of normal workovers in Egypt especially in the GOS, the least one will cost you, if everything goes well, and you have no weather waiting conditions, a average of $1 million, this very workover, with a simple change of a ESP pump, could reach $2.5 million. Looking into a more sophisticated workover, it would cost you in best case scenarios $2.5 to $3 million and this would be heavy workovers that would last up to three weeks. In its worst case scenario, it could reach up to $6 million.

Using PICO 4, I am better than your best case, you will have little reasons to refuse. We are placing our pricing around 60 per cent of the average between the best and the worst scenarios mentioned. When you separate your service you end up with a massive expense, but when you put all together, and have someone willing to take the risk and be responsible for his work, you will save a lot of money and time. This means we are moving our relations with the operators from a contractor to a partner who would share the risks and build a knowhow on a learning curve in a period of time.

This approach will open the door for a new competition between service companies in the GOS. There is a lot of room to change the way we do workover, it will invite other players to compete.

Is PICO '4' only for the Egyptian market, or are you planning to tackle other markets?

I am very prejudiced for this market, as we are going to raise the Egyptian flag on PICO 4. There are some opportunities arising in the Gulf of Mexico because there is only 1 of this kind there and demand is high. But, the current status of the market is actually very interesting, as it is workover time especially in the GOS, and it can also work up to 280 feet to cover a major part of the Mediterranean. Also, we see a lot of interest from EGPC, after establishing a new company recently for development, so they could be a major client for us. This also shows that the government is focusing on arresting the depletion.


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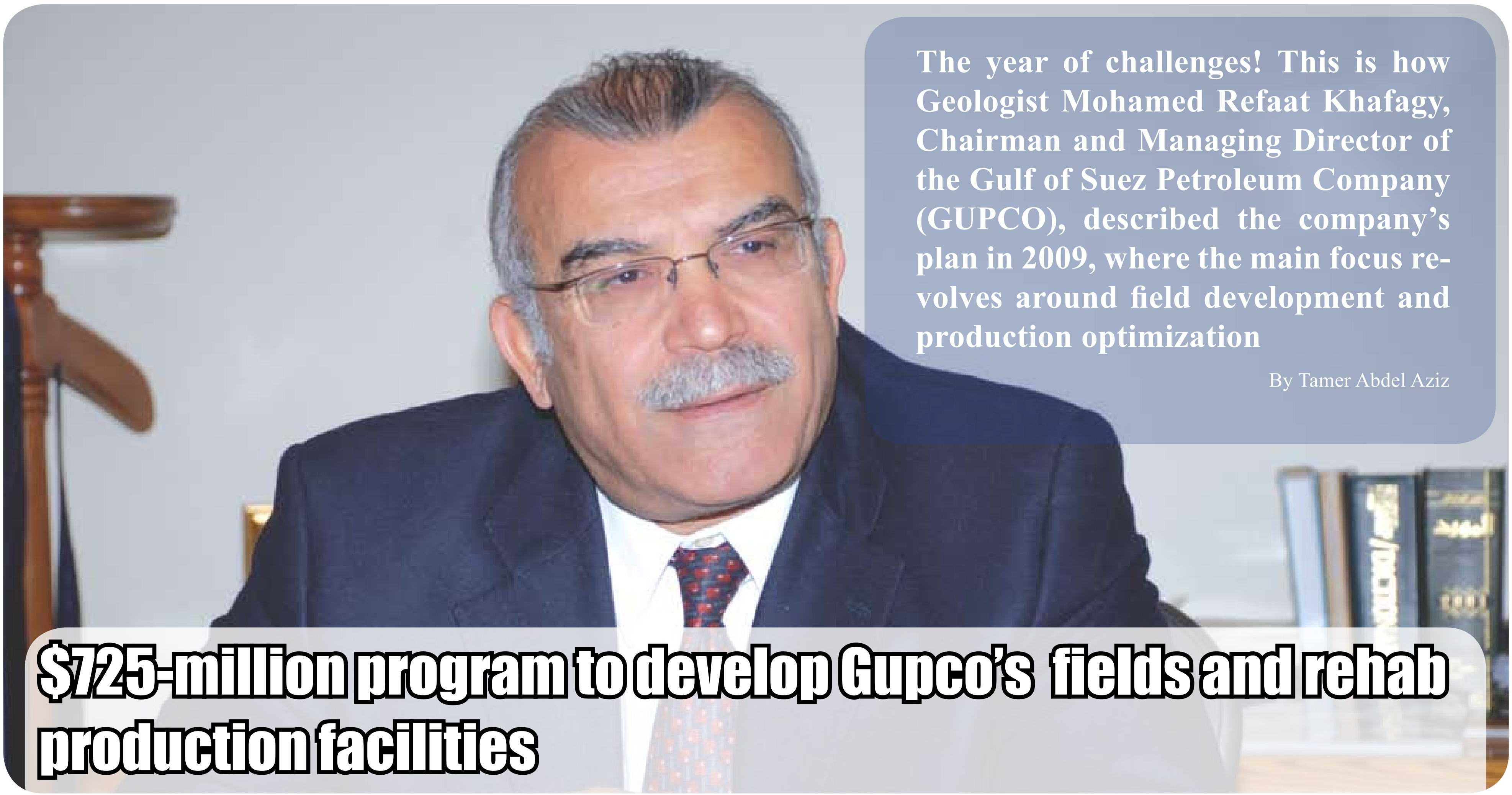


The year of challenges! This is how Geologist Mohamed Refaat Khafagy, Chairman and Managing Director of the Gulf of Suez Petroleum Company (GUPCO), described the company's plan in 2009, where the main focus revolves around field development and production optimization

By Tamer Abdel Aziz

$725-million program to develop Gupco's fields and rehab production facilities

What are the challenges facing GUPCO in 2009?

Secured production, this is what we consider the most challenging issue; many of our production facilities have no longer the same efficiency due to aging, as well as most of our fields. The necessity for rehab and integrity assurance is mandatory to guarantee the safety of oil and gas production operations. In addition, the lack of enough technical calibers is another hindering point; yet we managed to solve this problem by recruiting and training the top graduates of the faculty of engineering to gain the required skills and knowledge and be qualified to join the company's team.

Can you list the most important projects led by GUPCO last year?

We have finished the Saqqara Field development project, in the Gulf of Suez, which is the most important project lately. This field is producing 30 thousand barrels per day (bpd). Moreover, we finalized another development project the Taurt Field, in the Mediterranean Sea, which produce 220 million standard cubic feet of gas per day.

Why did GUPCO come second in the list of 2008 top operators?

Gupco has always been the first, but as all GUPCO's fields are offshore, and old unlike other companies, which needs big investments as well as time for integrity and rehab projects to arest the production profile. In order to compensate for this decrease, GUPCO succeeded to achieve several big discoveries, such as Morgan Ramadan, October, July and Shoab Ali.

But today's discoveries are not like the past, we have currently discovered Saqqara , GS 327 and North Shadwan and we are focusing on developing these new fields so that we can increase our production.

What is GUPCO's plan for 2009?

First of all, we are continuing our operations to rehab the petroleum offshore platforms in the Gulf of Suez and replace the old main pipelines of crude oil and water injection in association with our partner BP. This plan illustrates the second phase of a complete project to rehabilitate our production facilities. The first phase was fully executed with a total spending of $600 million and currently, the second phase is worth $240 million, which will serve the company's target to develop and produce the remaining reserves in the old fields and generate more safe production.

This year's budget for development drilling operations counts for $150 million; total of 22 wells will be drilled in the undeveloped areas of the Gulf of Suez and will be contributed to production.

Are there any new projects?

We have already started a development project at the North Shadwan discovery; the two fields of North Shadwan 1 and 2 will be connected to Ras Ghara, where we can use the facilities of Petrobel Company and thus reduce the total cost of the project in addition to Western Desert new concessions and development projects.

Does any Egyptian company have a role in GUPCO's field development plan?

In fact, there are several Egyptian companies that con¬tribute to our development plan, such as Enppi, (engeneering , studies), Petrojet (manufactures the needed equipments and constructions), and Petroleum Marine Services PMS (provides the pipelines laying and installation of platforms).

What is your production plan for 2009?

Along with Ministry of Petroleum and our partner BP, we have technically studied all the factors affecting our production, such as the development and workover activities, the need for E&P activity and new facilities. We are working now to optimize our production in the context of personnel availability, current production facilities and the budget availability.

What is your average daily production?

Around 130,000 thousand barrel of oil per day and 640 Million Standard Cubic feet Per day.

Has the current global economic crisis affected your E&P plans?

Actually uptill now! Nothing was changed, on the contrary, GUPCO's budget for this year counts for $725 million. I believe that most of the Oil business is still going well even during the financial crisis. For instance, ExxonMobil, when oil prices exceeded the $140 edge, the company succeeded to lift up the edge of its revenues, which it is now using it to secure its operations, during this critical time.

In my opinion, there is always a good side in any crisis. For example, there is no longer a high demand for rigs and drilling equipments as before, which used to cause a delay in the delivery of the required equipments and postpone the implementation of our projects. But at the present, it is easier and faster to have the rigs, and needed all equipments…etc, especially that many petroleum companies have canceled or postponed some projects due to the unaffordable high costs and the unprecedented fall of market prices.

Has the fall of oil prices led to an amendment of already signed contracts?

As a matter of fact, we are now in the process of negotiating and retender all the contracts with contractors to match the current market prices.

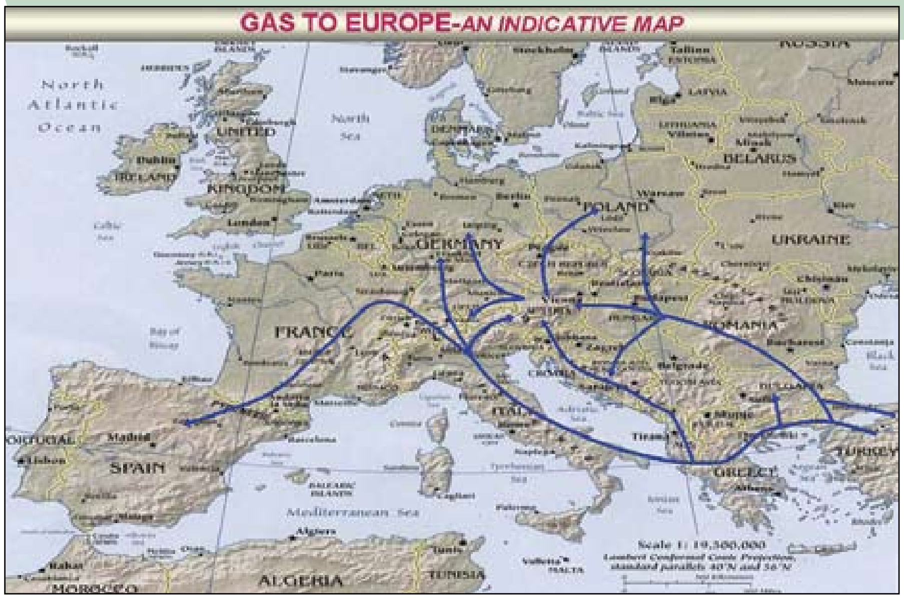
What is your opinion concerning the debate over establishing an independent entity for the oil and gas?

The idea of establishing a new entity for the oil and gas to have the Egyptian General Petroleum Company (EGPC) as partner in all petroleum agreements and would focus its role as organizer and regulator. This system is implemented all over the world .

Is there any new discovery to reveal to Egypt Oil & Gas?

Currently, drilling operations are conducted in a number of wells in the Western Desert, which led to an 80% increase compared to last year and a new discovery will be announced soon.

Diversification of energy resources



It is no longer knotty to imagine Egyptian gas flowing into Europe by 2013

By Ahmed Morsy

Last month, Budapest hosted a significant summit bringing together presidents and heads of governments who represent the potential partners for a gigantic 3,300-km gas pipeline, Nabucco. Worth $12 billion, this pipeline is to transport gas from the Caspian Basin and Central Asia via Georgia and Turkey to Bulgaria, Hungary, Romania, and Austria, circumventing Russia, central to the EU's energy diversification strategy.

Government officials from Austria, Azerbaijan, Bulgaria, the Czech Republic, Egypt, Georgia, Iraq, Romania, Turkey, Kazakhstan, Turkmenistan and the United States, as well as representatives of the European Commission (EC), the European Investment Bank and the European Bank for Reconstruction and Development took part in the summit.

This follows a series of reports that emerged from the conference claiming that the partners may be capitalizing on the political goodwill that has arisen as a result of the recent Russia-Ukraine gas dispute, which saw gas supplies to Europe shut off for several days, to finally make progress in the politically sensitive project.

The Summit's Final Declaration stated that its participants support energy conferences in Turkmenistan and Bulgaria in 2009, a "Southern Corridor Summit" to be organized by the Czech Presidency of the Council of the European Union on 7 May 2009, and the signing of an intergovernmental agreement at a Nabucco Conference in the first half of 2009 in Turkey.

"We tried to sign a preliminary agreement with those countries from which we expect gas and agreed to do our best to make it possible for the interested parties to sign the Nabucco intergovernmental agreement until mid-June," Hungarian Prime Minister Ferenc Gyurcsany concluded.

The Egyptian Minister of Petroleum Eng. Sameh Fahmy, who headed the Egyptian delegation to the Hungarian capital Budapest, stated that the mere presence of Egypt at the summit proves the strategic role the country plays in the region. "Egypt has a long history in the gas industry. Moreover, the event verifies the significance of the Arab gas pipeline which will not only secure clean energy supplies to Europe, but it is also deemed to play a key role in the Egyptian- European ties," Fahmy highlighted.

In his statement, Fahmy said the convocation of the summit comes at an important timing when the EU is adopting a strategy to diversify energy resources through implementing a number of gas transport projects including the Nabucco pipeline that can be linked with the Arab Gas Pipeline.

Fahmy added that this summit provided an opportunity for the participants to exchange views and reach the best solutions for pending issues.

He said the success in carrying out the Arab Gas Pipeline among participating countries; namely Egypt, Jordon, Syria and Lebanon in a short time underlines Egypt's ability along with the aforementioned countries to plan for the future of gas industry in the Arab region, especially that its implementation coincides with carrying out the Nabucco gas pipeline project.

The ministers of petroleum and energy of the four countries participating in the Arab natural gas pipeline reached a preliminary agreement to develop and expand the Arab Pipeline for an eventual linkage with the European gas distribution network through Turkey. In addition, Iraq will join the Arab Pipeline that will also carry Iraqi natural gas from Western Iraq.

Meanwhile, Azerbaijan and Turkmenistan alone have not sufficient capacities, as they can ensure no more than three billion cubic meters a year, while at least 15 billion is needed for project launching. Iran could have been a gas supplier, however the U.S. sanctions hinder this option.

Moreover, the Europeans are also considering Turkey as an obstacle, which intends to obtain 15 per cent of estimated 30 billion cubic meters of annual volume of Nabucco pumped gas for its domestic needs. Such percentage has raised concerns of other participants concerning the volume of their shares of gas and required funds from each partner.

This has led the EU to look to the Middle East for gas supplies, which are more plentiful and cheaper to produce. Any Arab gas would only come online in later stages, with the first due to become operational in 2013-2014. Accordingly, discussions were held with Egypt, Jordan, Syria and Lebanon to connect a proposed Arab Gas Pipeline, to which Iraqi gas may be added once its reserves are tapped.

Within the EU, the Nabucco Project faced opposition from Germany due to its commitment to the Nord Stream Underwater Pipeline that would connect Russia directly with Western Europe, bypassing Poland and the Baltic states that have caused political headaches with the Russians in the past.

Poland is one of the few new EU states opposing Nabucco because it would lose valuable income from the transportation of Russian gas across its lands; an issue that holds no sway in heavily dependent final-destination countries such as Hungary and the Czech Republic.

Georgia, still bitter after its crushing loss to Russia in their conflict last August, has argued strongly in favour of Nabucco, and another Caspian state to show strong support has been Azerbaijan. Nevertheless, they alone cannot produce enough gas to supply the pipeline, which leads many experts to highlight the importance of the participation of Turkmenistan and Kazakhstan, two of the biggest producers in the Central Asia region.

However, being politically friendly with Moscow and seeing China as a closer and potentially more lucrative export destination, Western diplomats have their work cut out in wooing these make-or-break states, Vladimer Papava, a former Georgian economic minister, told Georgian Business Week.

Politics aside, the economic viability of the project has been the biggest single obstacle to progress. Its original $4.4-billion budget has already been doubled, and final costs hover around $12 billion. Funding for the European section has also been an issue. Six private sector companies have been involved in the creation of the parent company, Nabucco Gas Pipeline International GmbH.

So it is all the more surprising that Russia was flagged by a French official as potential supplier to Nabucco; an idea that was quickly shot down by a Russian envoy the following day. Knowing full well the political motives behind Nabucco, the Russians are happy to play up the cost of the project and its difficulties in sourcing gas, but in the face of renewed European interest and EU support, there is little else they can do to destabilize it, even if they wanted to.

More exclamation marks!

Egyptian Appeals Court overturns November ruling cancelling gas export deal between Israel and Egypt

The Supreme Administrative Court canceled the First Instance Court's ruling to stop gas exports to Israel, thereby accepting the appeal that was filed by the government. The court explained that the decision to sell surplus gas to the Eastern Mediterranean, including Israel, was issued within the scope of the political function of the sovereign government; a sovereignty that the constitutional, administrative and normal judiciary does not control.

From its side, the Petroleum Ministry, however, said the ruling does not mean it would not negotiate amending the prices.

In a quick response, the members of the popular campaign 'Gas Setback' considered the ruling as a shocking violation of the country's interests. They said the failure to implement the first ruling caused daily losses in millions.

On the other hand, the Government's appeal on the court's ruling is contrary to the official governmental statements in the People's Assembly on the tongue of Dr. Mufid Shehab, who stressed on that the government is away from exporting gas to Israel, as the contract was signed between the two companies and not involving the government.

Gas started flowing to Israel through a pipeline for the first time in May 2008 under an agreement signed in 2005 for the supply of 1.7 billion cubic meters a year over 20 years.

Mohamed Anwar El-Sadat, one of the plaintiffs, told reporters the ruling came as a blow and a surprise. "No one disagrees on the need to stop the bleeding of the state's resources. The people are very sad about the export of gas to Israel in the wake of the barbaric massacres which Israeli has carried out in Gaza."

When the initial judgment was passed to stop the export of gas to Israel in 2008, the decision stated that the main reasons behind it were the ambiguity of the agreement, the low price and the unusual length of the agreement.

Immediately the government and the Ministry of Petroleum appealed. The appeal was based on the premise that it is a "commercial" agreement and is a sovereign act, and that no party has the right to object to it, especially as it is an agreement between the Ministry of Petroleum and a private company, namely EMG.

However, the judge based his ruling on Ambassador Ibrahim Yosri's, former head of legal affairs and treaties at the Egyptian Foreign Ministry, argument that the Minister of Petroleum's decision 100/2004 in favor of EMG stipulated that the Ministry is obliged to deliver the quantities covered by the contract to Israel. Moreover, the Israeli Minister of Infrastructure and the Egyptian Minister of Petroleum signed a Memorandum of Understanding (MoU) in June 2005, whereby the Egyptian Ministry of Petroleum guarantees the implementation of the contract between EMG and the Israeli Electricity Company. Yosri referred to the Vienna Convention, which recognizes MoUs as having the same force as treaties. Thus, the MoU between Egypt and Israel had to be submitted to the Egyptian Parliament for ratification, which did not happen.

This court ruling has put the Egyptian government in a very awkward situation because on the one hand, if it fails to implement the court decision it will appear as a government that does not respect the rulings of the judiciary. On the other hand, the implementation of the first ruling would complicate political and economic relations between Egypt and Israel.

Moving alone

Senators in Washington have reached agreement on a huge economic stimulus package designed to revitalise the U.S. economy

Members of both houses of Congress have reached a deal over U.S. President Barack Obama's economic stimulus plan. The package, worth $789 billion, includes tax cuts and spending aimed at rescuing the U.S. economy. And it is composed of 42 per cent tax cuts and 58 per cent new government spending. Though, there have been a series of meetings to try to find a compromise position to debate a pared-down version of the original $900-billion plan to revive the States' economy.

Senate majority leader Harry Reid, a Democrat, said the stimulus bill should create 3.5 million jobs. He added that more than one-third of it would be dedicated to tax cuts and incentives for middle-class Americans. Besides, Obama added that the deal "bridged differences" between an $820-billion House version of the bill and a $838-billion Senate version.

"The middle ground we have reached creates more jobs than the original Senate bill and costs less than the original House bill," highlighted Reid.

Meanwhile, U.S. Treasury Secretary Timothy Geithner has unveiled a comprehensive bank bailout plan worth at least $1.5 trillion, which will have to be reconciled with the House of Representatives version.

Under the bank bailout plan, the size of a key Federal Reserve lending program will be expanded to $1 trillion from $200c billion. In addition, a public-private investment fund of $500 billion will be created to absorb banks' toxic assets and could be expanded to $1 trillion.

On the other hand, new U.S. employment figures were released on last month showing that nearly 600,000 jobs were lost in January, pushing the unemployment rate to 7.6 per cent, its highest in 17 years. Consequently, oil prices have again fallen last month since the rising of U.S. unemployment has led to further fears of weakening demand for oil among U.S. consumers.

The economic slowdown has curbed demand for fuel around the world. Its current price is more than $100 below the record price of close to $150 a barrel seen last July.

Officials from the producers' cartel, the Organization of the Petroleum Exporting Countries (OPEC) have said that current price level is too low for its members to make enough revenue or encourage investment in new supply.

Last January, OPEC agreed to cut a further 2.2 million barrels per day (bpd) in a bid to increase the price, on top of the two million bpd scale-back it put in place in September, last year.

It was distinguished that Obama faces one of the worst economic crisis and, for him, one of the hot issue which has to be changed is energy as Americans spend $41 million per hour to get foreign oil.

Furthermore, Obama has made it clear that national energy policy needs to be taken in a new direction.

"We send a billion dollars to foreign nations every single day and we are melting the polar ice caps in the bargain," said Obama. "That has to be changed."

U.S. President's goal is to have two billion gallons of cellulosic ethanol in use by 2013. He plans to use tax incentives, government contracts and cash prizes to help this industry mature and specifically wants to encourage farmer-owned refineries. He would like renewable fuel standards to increase, such that 60 billion gallons of advanced bio-fuels are in the fuel supply by 2030.

A National Low Carbon Fuel Standard is a mechanism that Obama plans to use that requires fuel suppliers to decrease carbon emissions from fuels by 10 per cent by 2020 and he specifically wants to encourage non-petroleum fuels to reach this target.

"The only way we are going to seriously reduce the price of gas is if we actually start investing in alternative fuels and we raise fuel standards on cars," said Obama.

By 2025, Obama would like 25 per cent of U.S. electricity to be generated from clean, renewable sources including wind, solar and geothermal with a Renewable Portfolio Standard. Obama calls for $150 billion to be invested over 10 years in clean energy and infrastructure to support it. Investment in a national digital electric grid would allow greater amounts of renewable energy to be utilized and make plug-in hybrids more environmentally sound.

Near Bit Sensors Create 'Formation Evaluation-While-Geosteering' Capability

Advances in directional drilling technology have enabled more complex trajectories to be drilled and brought hard-to-reach reservoirs within range. These drilling technology advances have driven the parallel development of near bit sensor technology that serves both the driller and the petrophysicist. This "formation evaluation-while-geosteering" capability capitalizes on advances across the spectrum of at-bit sensor technology, from the most fundamental inclination-only sensors for rotary steerable drilling, to an azimuthal focused resistivity sensor with a "resistivity-at-bit" measurement for rotary steerable and motor applications

By Halliburton, Oilfield Technologies and Services

Sensor Technology for Rotary Steerable Drilling

To successfully drill complex wellbore geometries using rotary steerable technology, real-time measurement of drilling data is critical. As a result, sensors for Rotary Steerable System (RSS) applications have moved closer to the bit, with the latest sensors measuring hole angle, formation gamma ray and even rotational efficiency, virtually "at-the-bit" to provide timely data for accurate geosteering.

At-Bit Inclination (ABI) - In directional applications, the most critical real-time drilling data is hole inclination, which for years has been obtained using MWD survey tools located 50 to 75 feet or more behind the bit. This sensor positioning causes "blind drilling" in the footage between the sensor location and the bit.

To mitigate this risk, an ABI sensor is incorporated into a point-the-bit rotary steerable drilling system just three feet (one meter) above the bit. This provides "real" real-time inclination monitoring, a difference that can improve drilling efficiency, flatten horizontal trajectories, and produce significant savings, as it did recently for one major operator.

In addition to weather and logistical challenges, PEMEX experienced drilling problems in a recent offshore development well in an exploratory reservoir located northeast of Ciudad del Carmen in the Bay of Campeche, Mexico.

When mud density problems caused a bottom hole assembly (BHA) to become stuck during initial drilling, and ultimately resulted in wellbore collapse, PEMEX decided to drill an open hole sidetrack around the lost BHA and proceed with the well. This would require a directional kick-off without the benefit of leverage from a cement plug, and accurate steering to avoid the tools lost-in-hole.

To provide the directional responsiveness required to drill the open hole sidetrack, Sperry Drilling Services supplied the point-the-bit Geo-Pilot® RSS with the ABI sensor. This system initiated the open hole sidetrack at 7,369 feet (2,246 m) with a hole inclination angle of 36°.

Although initial drilling progressed cautiously with no cement plug for kick-off, accurate real-time inclination monitoring with an inclination sensor within a few feet of the bit afforded quicker decision making for continuous drilling, with the assurance that the stuck BHA was being avoided. Close monitoring confirmed that the desired well trajectory was being achieved as the system drilled ahead to 7,500 feet (2,286 m), successfully completing the sidetrack.

Illustration of the GABI sensor on a mud motor with an adjustable bent housing. Graphics layer added to show the depth and angle of investigation of the GABI and to reveal the rotor/stator

In an application where the average time to run casing and cement was three days, PEMEX estimated that accomplishing the sidetrack without the time and expense of a cement plug saved 1.8 days cementing time and two days NPT due to weather, for total savings of 3.8 days valued at approximately $684,000.

At-Bit Gamma (ABG) - Another at-bit sensor further refines RSS geosteering with an early warning of approaching formation changes, as well as indicating the direction of the approaching bed boundary.

The ABG sensor in the Geo-Pilot RSS incorporates three separate wireline-quality scintillation detectors, arranged symmetrically around the tool. Approaching formation changes can be detected by monitoring for changes in each sensor's response relative to the other two sensors. The direction of that approaching formation is determined by the orientation of the gamma detector that first registers the changing values. The azimuthal nature of the ABG sensor sampling means that formation features such as dip and fault boundaries can be identified, while use of multiple independent sensors helps ensure both quality control and redundancy, enhancing confidence in readings.

One more sensor that is used close to the bit in the RSS application is the Torsional Efficiency Monitor (TEM). Providing an early warning of the onset of stick-slip, the TEM sensor analyzes variations in rotational speed of the RSS system driveshaft, which is screwed directly to the drill bit. With this information, drilling parameters can be adjusted to reduce or eliminate damaging stick-slip, prolonging bit and downhole component life and maximizing drilling efficiency. The TEM sensor also provides means for evaluating the effectiveness of various bit designs. The direct coupling of the drive shaft to the bit, and the consistent location of the TEM sensor – it is always the same distance from the drill bit in every bottom hole assembly - allow for very objective bit design comparisons.

Advanced Sensors for Motor Drilling

With the azimuthal sensitivity necessary for evaluating today's more economically challenged reservoirs, a new instrumented motor design incorporates four independent azimuthally-sensitive gamma sensors and an inclinometer positioned only 10 feet (3 meters) from the bit.

The **Gamma At Bit Inclination (GABI)** sensor is the first tool capable of producing continuous images while sliding and rotating. It maintains azimuthal sensitivity while not rotating, and footage drilled in the "slide sections" can be azimuthally logged on all sides of the borehole simultaneously with the four independent detectors. This eliminates the need for backreaming or wiping these slide sections after drilling to obtain readings from the other sides of the borehole.

This sensor recently was run in a well in Alaska that had been identified as high-risk from a geosteering standpoint. The target formation was only 20 to 25 ft (6 to 7.6 m) thick, bounded by friable shale above and fractured limestone below.

The geosteering data was transmitted in real time to visualization and analysis software, where real-time images could be examined in context with the LWD data and geological section. By using the GABI sensor and the geosteering software in a collaborative environment at every decision point, the well was successfully drilled and valuable insight gained about the reservoir that affected the final completion strategy.

In a recent coal bed methane application, the GABI sensor was used to drill horizontal multilateral legs at a well depth of 3,170 ft (967 m), within reservoir boundaries averaging 3 to 5 ft (1.0 to 1.5 m) thick, and sometimes as thin as 2 ft (0.7m).

Typically in this application, coal seams less than a meter thick have been undrillable with conventional focused natural gamma ray tools. However, the azimuthal nature of GABI at-bit sensor measurements eliminated any guesswork in determining whether the adjacent boundary was above or below the sensor in the horizontal wellbore, allowing sufficient opportunity for well path correction to remain within the reservoir.

Over the course of 10 horizontal legs in this multi-well project, use of the GABI sensor reduced the number of reservoir exits (and potential sidetracks to redrill the well correctly) from two per 1000 meters with conventional methods, to less than one per 1000 meters. With operational costs ranging from $4,000 to $60,000 per sidetrack, these savings alone provided an estimated economic value of $35,000.

In addition, reservoir capture increased to 99% over the ten legs, an increase in reservoir exposure that ultimately will increase production over the life of the wells.

Azimuthal Focused Resistivity (AFR) - Beyond those which enhance geosteering, new sensors developed to improve imaging and reservoir understanding in high-angle and horizontal wells also provide "at-bit" measurement.

The **InSite AFR™** sensor makes "at-bit" measurements in conjunction with high resolution resistivity imaging data acquisition. The entire assembly between the InSite AFR sensor and the bit acts as an electrode, producing measurements that, although qualitative, can provide useful at-bit information. When the bit crosses a formation boundary between two formations with significantly different resistivity values, the InSite AFR sensor generates a dramatic change in response that immediately indicates new formation has been encountered. This is very useful for alerting the geosteering team about unexpected faults, leading to drilling outside of the producing layer. The InSite AFR sensor also provides a "geostopping" capability for determining the exact top or bottom of a zone of interest, so that drilling can be immediately stopped without requiring unnecessary footage just so logging sensors 50-100 ft (15-30 m) behind the bit can reach the interface.

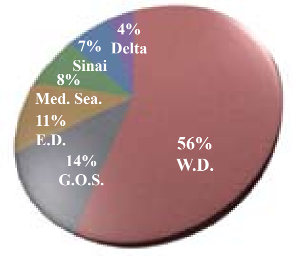
Conclusion

The growing complexity of drilling applications has made real-time data acquisition more and more vital to successful reservoir exploitation. Capitalizing on advances in near-the-bit sensor technology, a range of new tools today provides "at-bit" formation evaluation and geosteering measurements that create true "formation evaluation-while-geosteering" capability for optimizing wellbore placement to achieve maximum production over the life of the reservoir.

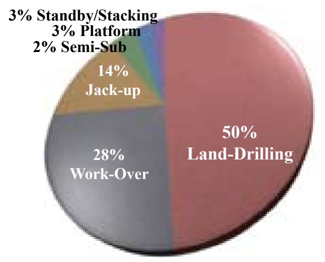
Table 1 Egypt Rig Count per Area -February 2009

	RIG COUNT		
Area		Total	Percentage of Total Area
Gulf of Suez		20	14%
Offshore	20		
Land			
Mediterranean sea		12	8%
Offshore	12		
Land			
Western Desert		80	56%
Offshore			
Land	80		
Sinai		10	7%
Offshore			
Land	10		
Eastern Desert		16	11%
Offshore			
Land	16		
Delta		6	4%
Offshore			
Land	6		
Total		144	100%

Rigs per Area February 2009



Rigs per Specification



Source: Egypt Oil & Gas

Average Currency Exchange Rate against the Egyptian Pound (January 2009 / February 2009)

US Dollar	Euro	Sterling	Yen (100)
5.535	7.197	7.929	6.144

Stock Market Prices (January 2009 / February 2009)

Company	High	Low
Alexandria Mineral Oils [AMOC.CA]	48.05	37.42
Sidi Kerir Petrochamicals [SKPC.CA]	10.34	7.46

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

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC[5]	World
March	E	8,664	24,237	25,372	36,897	**85,545**
April	E	8,717	24,150	25,270	36,584	**85,080**
May	E	8,879	24,606	25,702	36,939	**85,922**
June	E	8,665	24,678	25,793	37,096	**85,825**
July	E	8,764	25,117	26,141	37,519	**86,859**
August	E	8,608	24,995	26,034	**37,417**	**85,853**
September	E	7,121	24,634	25,745	37,015	**84,382**
October	E	8,214	24,554	25,667	**37,033**	**85,922**
November	PE	8,524	23,776	24,882	36,203	85,351
2008 11-Month Average	PE	8,493	24,455	25,558	36,903	85,577

1 «Oil Supply» is defined as the production of crude oil (including lease condensate), natural gas plant liquids, and other liquids, and refinery processing gain (loss).
2 U.S. geographic coverage is the 50 States and the District of Columbia. Beginning in 1993, includes fuel ethanol blended into finished motor gasoline and oxygenate production from merchant MTBE plants. For definitions of fuel ethanol, oxygenates, and merchant MTBE plants
3 The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.
4 OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
5 OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
E=Estimated data. RE=Revised estimated data. PE=Preliminary estimated data.
Revised data are in ***bold italic font.***

Source: EIA

Table 1 Wortld Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Libya	Sudan	Other	World	OPEC[1]	Persian Gulf[2]	North Sea[3]
2008 March	1,740	520	**2,490**	74,238	33,584	21,768	3,975
April	1,740	520	**2,487**	**73,721**	33,274	21,682	3,924
May	1,718	520	**2,508**	**74,118**	33,625	22,136	4,051
June	1,700	520	**2,484**	**74,100**	33,750	22,197	3,667
July	1,700	520	**2,504**	**74,832**	34,146	22,610	3,912
August	1,700	520	**2,535**	**73,740**	**34,028**	22,474	3,455
September	1,745	520	**2,539**	**72,825**	33,668	22,157	3,755
October	1,745	520	**2,551**	**73,803**	**33,683**	22,077	**3,861**
November	1,700	520	2,584	73,358	32,835	21,284	3,897
2008 11-Month Average	1,721	520	2,519	73,885	33,566	21,974	3,862

1 OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
2 The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.
3 North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
Revised data are in ***bold italic font.***

Source: EIA

Table 3 World Natural Gas Liquids Production (Thousand Barrels per Day)

	Algeria	Canada	Mexico	Soudi Arabia	Russia	Former U.S.S.R	United States[1]	Persian Gulf[2]	OAPEC[3]	OPEC[4]	World
2008 March	353	**721**	367	1,440	420	_	1,847	2,332	2,800	3,142	**8,053**
April	355	**688**	370	1,440	418	_	1,880	2,333	2,802	3,142	**8,025**
May	356	**661**	371	1,440	419	_	1,908	2,335	2,805	3,147	**8,068**
June	358	**629**	372	1,440	423	_	1,810	2,345	2,837	3,180	**7,940**
July	359	**705**	374	1,440	423	_	1,856	2,372	2,853	3,206	**8,114**
August	360	671	363	1,440	426	_	1,839	2,386	2,867	3,222	**7,942**
September	362	662	357	1,440	426	_	1,537	2,342	2,838	3,180	**7,564**
October	363	667	362	1,440	424	_	1,745	2,343	2,841	3,185	**7,934**
November	365	672	349	1,453	421	_	1,734	2,358	2,857	3,202	7,949
2008 11-Month Average	358	684	365	1,441	422	–	1,798	2,346	2,826	3,171	7,967

1 U.S. geographic coverage is the 50 states and the District of Columbia. Excludes fuel ethanol blended into finished motor gasoline.
2 The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.
3 OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
4 OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
- - = Not applicable. E=Estimated data. PE=Preliminary Estimated data.
Revised data are in ***bold italic font.***
Notes: Monthly data are often preliminary and also may not average to the annual totals due to rounding.

Source: EIA

Fig 1

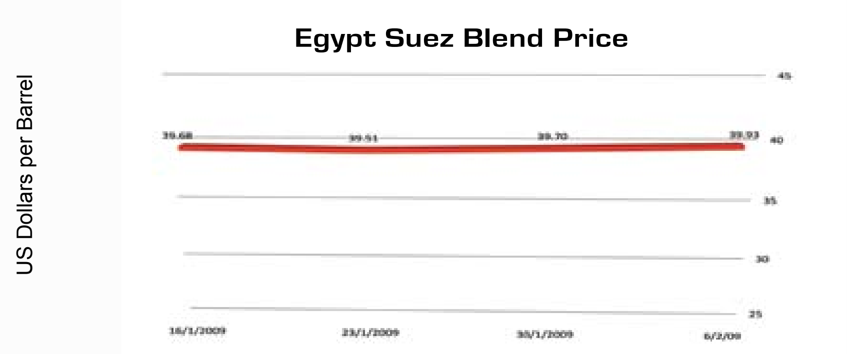


Fig 2

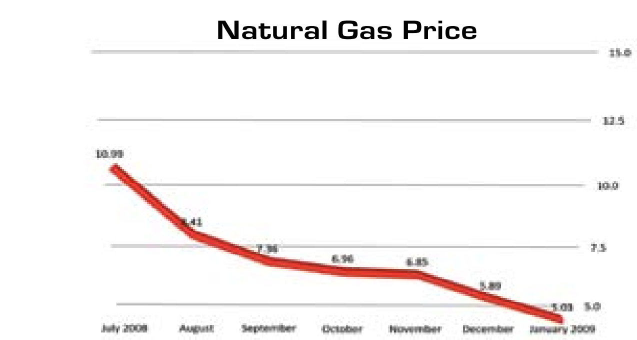
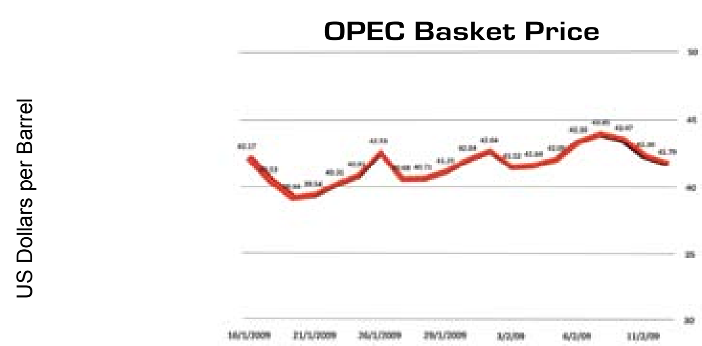


Fig 3



Source: Egypt Oil & Gas

Table 6 International Stock Prices Mid-January 2008 - Mid-February 2009

International Stock	High	Low
Schlumberger [SLB] NYSE [US Dollars]	46.12	36.83
Halliburton [HAL] NYSE [US Dollars]	19.71	16.61
Exxon Mobil [XOM] NYSE [US Dollars]	80.34	74.59
Atwood Oceanics [ATW] NYSE [US Dollars]	18.13	14.35
Weatherford [WFT] NYSE [US Dollars]	12.35	9.36
Shell [RDS.A] NYSE [US Dollars]	51.82	47.44
Apache [APA] NYSE [US Dollars]	79.39	70.10
Baker Hughes [BHI] NYSE [US Dollars]	36.44	29.18
BJ [BJS] NYSE [US Dollars]	12.31	10.39
Lufkin [LUFK] NYSE [US Dollars]	37.99	31.89
Transocean [RIG] NYSE [US Dollars]	60.74	46.39
Transglobe [TGA] NYSE [US Dollars]	3.13	2.25
BP [BP.] LSE Pence Sterling	511.50	484.75
BP [BP.] LSE Pence Sterling	1085.00	870.00
Dana Gas [Dana] ADSM US Dollars	0.58	0.53
Caltex [CTX] ASX Australian Dollars	9.49	7.40
RWE DWA [RWE AG ST] Deutsche-Borse Euros	63.2	57.00
Lukoil [LKOH] RTS [US Dollars]	36.30	28.90

Source: Egypt Oil & Gas

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

	France	German	Italy	United Kingdom	OECD Europe[2]	Canada	Japan	South Korea	United States[3]	Other OECD[4]	OECD[1]	World
2008 March	1,882	2,399	1,569	1,674	**14,750**	2,313	5,022	2,266	19,732	3,425	**47,508**	NA
April	2,005	2,500	1,621	1,821	**15,424**	2,195	4,992	2,098	19,768	3,687	**48,165**	NA
May	1,851	2,310	1,609	1,620	**14,500**	2,259	4,448	2,181	19,729	3,601	**46,717**	NA
June	1,897	2,430	1,588	1,708	**14,773**	2,295	4,340	1,993	19,553	3,462	**46,415**	NA
July	1,924	2,623	1,751	1,623	**15,327**	**2,407**	4,437	2,028	19,412	3,673	**47,284**	NA
August	1,855	2,623	1,534	1,576	**14,894**	**2,291**	4,174	2,028	19,267	3,505	**46,159**	NA
September	1,994	2,858	1,680	1,721	**15,953**	**2,397**	4,290	2,167	17,796	3,399	**46,002**	NA
October	2,063	2,855	1,679	1,726	15,763	2,534	4,337	2,023	19,643	3,393	47,692	NA
2008 10-Month Average	1,952	2,567	1,633	1,696	15,222	2,348	4,724	2,150	19,482	3,519	47,444	NA

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

Source: EIA