EGYPT OIL&GAS NEWSPAPER

MI SWACO takes over a Hellenic's block

MI SWACO, one the leading service providers, took over a Hellenic Petroleum's block for providing the drilling fluids replacing one of the major service providers in this field.

"The poor service quality delivered by the previous service provider was the reason behind the termination of the contract," an official from Hellenic Petroleum explained the dissolution between his firm and the service provider.

MI SWACO is known in the Egyptian market for its drilling fluid systems that were engineered to improve drilling performance. It's worth mentioning that it previously ranked second in the tender offered by Hellenic.

A joint-venture to be established between EGPC and Naftogaz

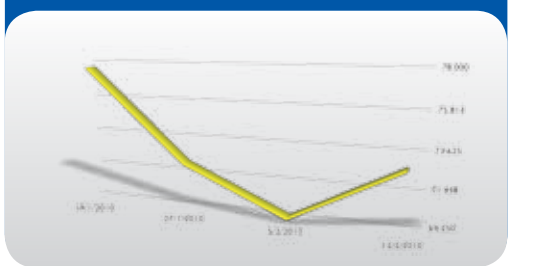
Fields Development Company (FDC) will start operating in the HG34-3 well of the Ukrainian Company Naftogaz. FDC will provide the needed services to set the well on the early production system, it will also supply the block with "Site preparation for Early Production Facilities and The Early Production provision."

HG34-3 is considered the second operation for FDC after it managed to receive approvals to develop some of the GPC fields and the Jazurina field which belongs to EGPC.

The Egyptian General Petroleum Corporation (EGPC) issued that it ordered from Naftogaz to start the production as soon as possible, regardless increasing the output of it which is 750 barrels per day until the completion of the production facilities for the gas associated with the oil so as not to burn large quantities of it in case it turned to be proven commercially.

EOG learned that EGPC and Naftogaz are in the process of founding a joint-venture company, according to the concluded policy of agreements between the local authority and the foreign partner.

ICE Brent Price



Interviews

The ideology of serving the market

A deep contemplation

Service Companies have a great impact on the Petroleum sector since their main focus is to service oil and gas wells. The amount of business activity for these companies depends on the price of oil and natural gas. As prices rise there is more business activity as new wells are drilled and existing wells are upgraded and developed. This increased activity is felt throughout the entire industry, as more drilling rigs, support services and materials are required.

Most oil service companies are cyclical and their stock prices track the price of oil and natural gas. So, it is best to buy them at the beginning of a new price cycle when prices are low and dividend yields are high. Hence, the price takes the priority for them but without neglecting the high-quality which is the main focus for the operators as it is what differentiates one service company from the other. Thus, the two elements, price and quality, are the key-factors for any service company within the Egyptian challengeable market.

Nevertheless, the Egyptian market reached a tipping point due to the Service Companies' policies which concentrate more on one element at the expense of the other. Their attention line became more focused upon the low price aspect in order to survive the brutal challenge within the market and also to widen their market share, regardless the quality standards.

In this issue, we shed the light on this phenomenon in addition to the combat between the service companies which may lead at the end to poor quality standards, and therefore, the market may be badly affected. However, the service companies remain the side that will never lose.

The low-quality service provider plays a great role in the pricing problems in the Egyptian market. As there are companies who do not have the necessary infrastructure and even the support or the overheads and they are competing in the market. On Besides, the high-quality providers were also obliged to reduce their prices to adapt with the lower prices of their competitors.

At the end, they are judged by their savings for the operator. That's why when an operator urges for a discount, they should know that they wouldn't get the same quality. They may be saving money but not time which in the end costs them much more. Hence, there are only two solutions for the heating up crisis; whether to create a standard quality policy between companies or to change the misconception about the pricing policy in Egypt. Although the traditional stereotypes of the Egyptians always believe that there is a personal relation or favouritism involved when you agree on a more expensive offer, it should be all related to the rate of quality.

Yomna Bassiouni
Editor-in-Chief

Congrats!

Egypt Oil & Gas family would like to warmly congratulate her Editor in Chief Yomna Bassiouni on the birth of her new baby born. And we take this opportunity to express our appreciation and respect towards Yomna for the commitment and the dedication that she showed along . It was her passion which was one of the major fuels that moved Egypt Oil & Gas forward.

Moreover, her skills and potentials as editor in chief helped to boost the growth movement in this newspaper and enabled it to occupy this unique position as the major information provider in Egypt. So we are showing our deep love and gratitude to that great lady that successfully had special inputs within this newspaper.

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Circle Oil begins production from Geyad-2X ST1

Circle Oil has announced that theGeyad-2X ST1 well has commenced production in the onshore NW Gemsa Concession. Production has started from the upper of the two identified pay zones in the Kareem Shagar Sandstone. The lower untested pay zone, in the Kareem Rahmi Sandstone, will be further evaluated at a later date.

The Geyad-2X ST1 well is producing at a rate of approx. 2100 bopd. Overall, adjusted daily production from the Al Amir Development Lease and the two Geyad wells is now over 9200 bopd. Cumulative oil production from the area since production began in late February 2009 is now over 1.3 MMbbls.

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

The rig is now drilling the Al-Amir SE-5 well where, as previously announced, the primary target is the Kareem Formation. This well is being drilled primarily to delineate a potential reservoir boundary.

David Hough, CEO of Circle said: ''The daily production from the concession has climbed to over 9200 bopd. We are now resuming our drilling programme in the Al Amir area where the next well, Al Amir SE-5, is being drilled for reservoir delineation purposes.

Petroleum and Higher Education: Technical Cooperation Protocol

The minister of Petroleum, Eng. Sameh Fahmy declared that the petroleum sector will provide all the support to the educational system, focusing on divisions that will improve the level of oil production in Egypt.

That came during the signing of the technical cooperation protocol between experts from the educational system and the petroleum sector to develop Suez's Faculty of Petroleum and Mining Engineering, and included the presence of Dr. Hany Hilal, Minister of Higher Education and State for Scientific Research, Suez Governor General Mohamed Saif Eddin Galal and Prof. Mohamed El Zoghby, President of Suez Canal University.

Fahmy praised Suez's Faculty of Petroleum Engineering and Mining as it's one of the top faculties in Egypt, which is joined by elite of groups with the highest school degrees, and that the petroleum sector is keen to give all the assist and support to this faculty.

He added that this support will come through supplying the educational facilities altogether and laboratories with enhanced equipments, and upgrade the educational process to achieve a higher quality of performance.

From his side, Dr. Hany Hilal, Minister of Higher Education and State for Scientific Research stressed on the importance of this agreement as a good step towards finding more solutions for Egypt's importing issues.

Suez Governor General Mohamed Saif Eddin Galal also added that this cooperation will contribute to the development of the province and offer new job opportunities through distinctive economic projects.

He added that the district delivered its part of the agreement by granting a 15 acres technology complex for this project.

Abdllah Ghorab leads EGPC

The Ministry of petroleum witnessed shocking movements yesterday. Eng. Abdllah Ghorab was promoted as the president of the Egyptian General Petroleum Corporation (EGPC) instead of Eng. Abdel Aleem Taha.

As a result of the movement, Taha who has been the chairman of EGPC since autumn 2006 after succeeding Eng. Ibrahim Saleh, became the undersecretary at the Petroleum Ministry for Production.

Moreover, Eng. Shamel Hamdi, was appointed to be the chairman of SUMED company after being the Undersecretary of the Ministry of Petroleum, replacing Eng. Mahmoud Nazim. As for Nazim, he became the Undersecretary of the Ministry of Petroleum for the petrochemicals affairs.

In addition, Geologist Mohamed Refaat Khafaga who was the chairman of the Gulf of Suez Petroleum Company (GUPCO) turned out to be the Undersecretary of the Ministry of Petroleum for the Explorations and Agreements. Consequently, Geologist Mohammed Abul Wafa replaced him for being the chairman of GUPCO.

Egypt to export gas to Vietnam

Eng. Mohammed Said, an investor in the oil and gas sector, announced that Egypt is considering exporting Gas to Vietnam.

These statements came after delegates from both countries met to discuss more cooperation between Egypt and Vietnam.

"We are looking into exporting gas to Vietnam, as their gas production does not meet their local demand" said Mohamed Said.

"A Vietnamese state-owned company addressed us regarding the gas issue" he added, "but it's all under consideration, and they have to finish constructing the stations in Vietnam."

The infrastructure might need more than 36 months to be built.

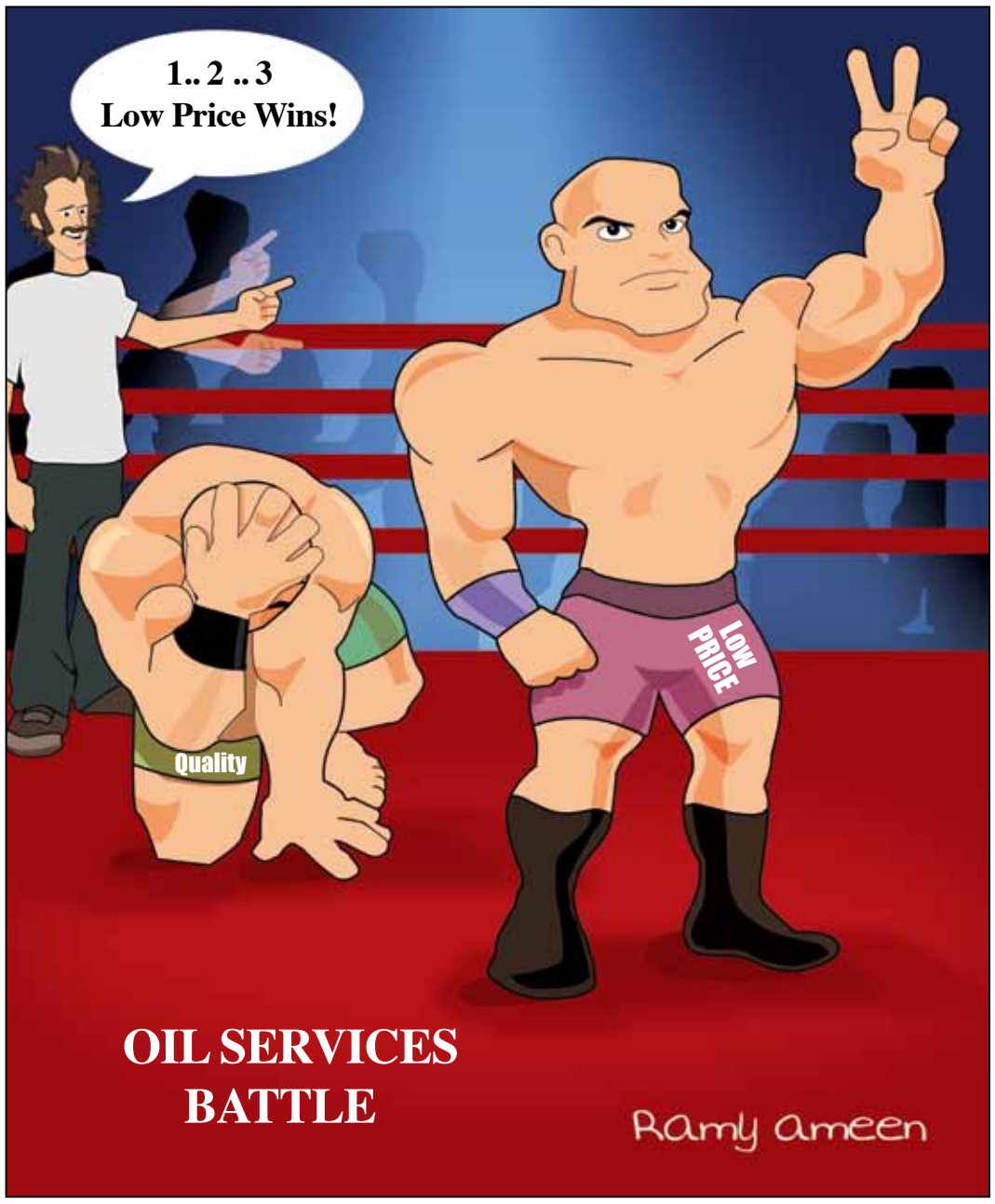
Japan's AOC delays start of Egypt oil output to 2012

AOC, Japan's Arabian Oil Company, announced its second delay for crude oil production from Egypt's offshore Northwest October block in the northern Gulf of Suez.

AOC said it would not start before May 2012.

The Egyptian General Petroleum Corporation (EGPC) has a 50% stake in the block and AOC holds the remainder.

An official at AOC, the parent of oil and gas development unit Arabian Oil Company, said the firm expects the output to reach 6,000 barrels per day.



GDF and Dana Petroleum's new gas discovery

GDF Suez (Gaz de France) announced the Papyrus-1X well gas exploration, located offshore Nile Delta in west El Burullus concession.

Dana Petroleum, GDF Suez's partner said that Gas was flowing at up to 33 million standard cubic feet per day during a drill stem test at Papyrus-1X, the well also test flowed about 442 barrels of condensate per day.

The well was drilled in about 20 meters of water to a total measured depth of 1990 meters, targeting a Pliocene prospect consisting of a turbiditic sand system.

The data gathered from the well will be fully analyzed and the commerciality of this discovery, along with the previous WEB-1X discovery, will be evaluated in arrangement with the Egyptian Natural Gas Holding Company (EGAS).

Dana and GDF Suez are currently discussing the possibility of combining the development of these two bordering gas discoveries, as The Papyrus-1X well will be suspended for potential re-entry and future use as a gas production well.

It's worth mentioning that GDF operates the production sharing contract for the West El Burullus concession with a 50% interest and Dana holds the remaining 50% stake.

Egypt: new exploration deals with Apache

Minister of Petroleum, Eng. Sameh Fahmy signed today two agreements between the state-owned Egyptian General Petroleum Corporation (EGPC) and Apache Corporation for exploring in the Western Desert.

The Petroleum Ministry also announced that Apache will invest around $ 55 million to drill 13 wells, according to the two signed deals.

Region Vice President and General Manager of Apache Egypt Companies, Thomas E. Voytovich said that Apache is considering Egypt as a solid element in its future plans due to the growth of domestic gas consumption.

He added that Apache's gas output from Egypt went in supplying the local market, and the company is looking in investing more than $1 billion a year in Egypt.

"If everything works favorably; the pricing environment, demand, and our success in drilling, I could see that there is room for that (the spending per year) to continue."

Apache, the largest producer of liquid hydrocarbons and natural gas in Egypt's Western Desert, already invested $8 billion in the country over a period of 15 years.

EGAS awards three Mediterranean blocks in Mediterranean

The Egyptian Natural Gas Holding Company (EGAS) announced the results of its licensing round for gas-prone Mediterranean offshore acreage which is considered a sign of the growing interest in Egypt's upstream potential.

EGAS has awarded three of the seven blocks to large international oil companies despite the bleak global economic outlook and earlier signs of lukewarm participation. This also drew the attention of that only limited number of them due to the economic climate of Egypt's own gas-export-related political problems.

The awarded blocks went to IOCs already exist in the Egypt's deepwater Nile Delta Basin.

"The Mediterranean area has become one of the primary areas for Egypt's production and reserves of natural gas as it represents 77.5 percent of Egypt's total natural gas reserves and 75 percent of total natural gas production," said Eng. Sameh Fahmy.

Block-4 was given to the consortium of French Total and Italy's Enel; it has two previously drilled wells, as well as extensive 2D and 3D seismic surveys. The block is located east El Burullus offshore, covering a 2,516-sq.km area and lying in water depths from about 100 meters to 1,600 meters, 70 km from the coast. The two companies have agreed to drill one further well and to do further seismic surveys during their exploration term.

Block-1 went to BG, north Gamasa Offshore covering an area of only about 281 sq. km and located much closer to the Egyptian shore than the other awarded blocks. BG did not mention how many wells it will drill, but the block has two wells already been drilled, which showed some significant discoveries, and considerable quantities of 2D and 3D seismic data exist.

The hotly contested license Block-3 went to the alliance of Shell and BP, together with Malaysia's Petronas. Block-3 is located north Damietta offshore, covering an area of 1,600 sq. km and having significant amounts of previous 2D and 3D surveys carried out, as well as three wells drilled. The companies themselves said they have equal stakes in the license and have committed to drilling four wells within six years on the block.

Shamil Hamdy, first undersecretary at the Ministry of Petroleum, previously told reporters on the sidelines of the Intergas V conference in Cairo "In the deep water you need big players, so we were happy to see them 'acquire acreage'. They have the technology and the ability to invest."

The challenge for Egypt has been to make sure that IOCs again feel confident in the long term direction of Egypt's energy policy, so that the large gas reserves discovered in the past decade can be successfully developed. Egypt will have to demonstrate stability in its local demand and reserves in order to maintain the flow of the upstream investment into the country.

Encouraged by the results of the EGAS bid round, the state-owned Egyptian General Petroleum Corporation (EGPC) is looking forward to its latest upstream tender.

EGPC's Vice Executive Chairman for Agreements and Exploration, Mustafa El Bahr, said that around 15-20 onshore and offshore blocks would be offered, in both the Eastern and Western Desert, and in the Gulf of Suez. He added that the blocks to be awarded this year.

"We've been working hard to prepare the bid round; we're targeting the first week of June," said El Bahr.

Sameh Fahmy: 25 billion dollars exploration investments

Eng. Sameh Fahmy, the minister of petroleum announced that the government will increase investments in oil exploration in the next ten years to reach up to $ 25 billion, in addition to attracting more foreign investments to the local market.

The ministry's strategy is to supply more support to the oil and gas sector as the reserves rose up to 18.2 billion barrels of oil equivalent, and to increase production to 2 million barrel per day.

Fahmy said sector managed to achieve a solid industrial base through founding companies specialized in the manufacture of equipments, drilling rigs and pipelines, and through the constant work on developing the local industry.

He pointed to the challenges facing the oil sector in Egypt as they mostly in the rapid growth in the local demand, the fluctuations in oil and gas prices in the global markets, as well as the increase in the regional competition in drawing oil investments.

Fahmy stressed on the importance of investing in the crude oil refineries, in able to improve its output, pointing to the alternative energy sources which are represented in the oil-mud and the renewable energy.

Egypt has reserves of oil-mud estimated by 5.7 billion barrel, mostly in Eastern and Western Deserts.

Maridive to expand fleet, invest in Cameroon

Managing Director of Egypt's Maridive & Oil Services, Issa Eleish announced that the company is planning to spend $200 million to expand its fleet of vessels and take advantage of the rise in oilfield services demand.

Maridive & Oil Services, the biggest in the Middle East by fleet size, is seeking a $220 million oil exploration and production license in Cameroon.

"This is the best time to invest in new equipment and marine units, because costs are now low due to recession," said Eleish.

Maridive, which serves Total, Royal Dutch Shell Plc, BP Plc, Saudi Aramco, Qatargas, Kuwait Oil Company and other oil owns over 60 marine units.

Maridive signed deals to receive about six vessels and one barge by 2012.

"My plan is to build three to four vessels and another barge to be delivered around 2013-2014" Eleish added.

EGPC to announce bid awards

Abd El Alim Taha, chief executive of the Egyptian General Petroleum Corporation (EGPC), said that EGPC will announce the results for its latest oil and gas bid round within the coming two months.

"We are studying the bids, the results will be out in one or two months," said Abd El Alim.

Earlier in July, EGPC offered eight concessions and Ganoub El Wadi Petroleum Holding Company (Ganope) offered another three.

The bids deadline for the 11 blocks was the first of November last year.

The state-owned Egyptian Natural Gas Holding Company (EGAS) previously awarded blocks to BG, Shell, BP, Petronas, Enel and Total in the last bid round in September 2008.

BP added to North Shadwan payload

Beach Petroleum Limited, an oil and gas exploration and production company announced that its project partner BP confirmed a gross oil-bearing column of 107 meters in the North Shadwan 377-5 well on the Gulf of Suez in Egypt.

Beach stated in a press release that the well had struck the pay in the Miocene Kareem sandstone. NS377-5 is the second development well on the oilfield, according to the two companies' plan of targeting near shore deposits from onshore drilling sites.

The oil column is shorter than the 144 meters of gross pay struck in the previous NS377-3 development well, which lies 465 meters south-east of NS377-5, but Beach said reservoir quality was better.

The firm said it expects the well to produce more than the earlier well.

Production from the NS-377 field will be piped seven kilometers north-west to the Ras Ghara processing facility. Beach expects the output to reach 3000 barrels per day.

This year the company will start the development of the NS385 oilfield, four kilometers to the south of NS377, using similar extended reach techniques to target offshore reserves using land based rigs.

The two fields hold 11 million barrels of recoverable oil reserves, Beach said.

BP operates the field with a 50% stake on behalf of Beach Petroleum with 20% and Tri-Ocean energy with 30%.

Quotes

"We have already begun an exciting drilling campaign for 2010, with three wells currently being drilled in Egypt"
Tom Cross, Dana Petroleum Chief Executive, announces Egypt operational update

''We are obviously delighted to be able to announce that Geyad-2 is in production"
David Hough, CEO of Circle on Circle Oil

"We are very pleased with the results from the South Damas No.1 well and are now looking forward to drilling the Tall Rak prospect which, in the success case, could be highly material to the Company"
David Thomas, Chief Executive of Melrose Resources plc, reveals the company's discovery of a 30 bcf of gas reserves onshore Egypt

"The corporation considers Egypt as an area of growth, and gas consumption is going to grow a lot,"
Region Vice President and General Manager of Apache Egypt, Thomas E. Voytovich

"We are looking into exporting gas to Vietnam, as their gas production do not meet their local demand"
Eng. Mohamed Said, an investor in the oil and gas sector comments on the exportation of Egyptian gas to Vietnam

Turkey expects "natural gas gesture" from Iran, Russia

The Turkish Energy and Natural Resources Minister, Taner Yildiz, said on Tuesday that Turkey awaits an offer from Russia and Iran regarding natural gas.

Earlier, a reporter said that Turkey saw a poor use of gas in 2009. Therefore, Turkish Petroleum Pipeline Corporation (BOTAS) might have to pay Russia and Iran for the non-used gas.

Yildiz's announcements came as an answer to these inquiries, "During my visit to Iran, I presented an offer to purchase or pay."

Yildiz added that he expects the response in three weeks, and that Turkey was also discussing the same with Russia.

Turkey's previous sale and purchase contracts were with Russian Federation, Algeria, Nigeria, Iran, Turkmenistan and Azerbaijan.

Yildiz also saw the transporting of Azerbaijani natural gas to Europe via Turkey as the most appropriate route.

It's worth mentioning that Turkey's natural gas production became 580.4 million cubic meters between January and October 2009, and the imported reached 28.7 billion cubic meters.

On the other hand, Turkey consumed 37.7 billion cubic meters of natural gas in 2008.

OPEC official: Iraq OPEC quota not needed for few years

OPEC Secretary General, Abdullah AL Badry announced that it will be four to five years before there is a need to include Iraqi oil output within OPEC's oil production policy.

"When they reach the point that they have to be accommodated, maybe it will not be for four to five years from now" said Al Badry.

That came during an oil conference, where Al Badry added "At the end of the day Iraq is a founder member, and I'm sure a solution will be found."

Iraq strengthened its hand for future negotiations on output quotas with OPEC through signing a number of deals with international oil companies.

RasGas increasing gas production

Qatar's RasGas expects its train 7 liquefied natural gas production facility to come alive in early February, a company executive said on Tuesday.

"Starting from today we began the installment stage, and we expect the production to kick off by early February" said the company's expanding operation manager, Jeff Jones.

The station will be producing 7.8 million tones per year, in the meantime the 6th station is working with its full power, he added.

It's worth mention that Rasgas is 70 percent owned by Qatar Petroleum and 30 percent by US oil and gas giant Exxon Mobil.

New offshore oilfield found in Dubai

The office of Dubai's ruler announced the discovery of a new maritime oilfield in the emirate of Dubai.

"Mohammed bin Rashid brings the good news to the people of the Emirates and announces the discovery of a new marine oil field in Dubai," said the government statement.

No further details were given on the production capacity of the new field, but Al Bayan newspaper reported that industry sources described it as "promising".

The United Arab Emirates (UAE) holds about eight percent of the world's oil reserves, with most of the country's reserves located in the country's capital Abu Dhabi.

UAE's oil reserves are expected to run out in about 20 years.

Iraq: Exxon, Shell Accept Contract Changes

Abdul Mahdy Al Ameedi, head of the Oil Ministry's Petroleum Contracts and Licensing Directorate, announced that Exxon Mobil and Shell coalition agreed to the contract adjustments made by the Iraqi government.

The country saw its first postwar round of oil bidding in June 2009. It gave the consortium of Exxon Mobil Corp. and Royal Dutch Shell PLC the right to develop the West Qurna Phase 1 oil field.

The Exxon-Shell alliance signed the deal in November, but was awaiting final approval from the Iraqi government.

The government, shortly after signing, proposed amendments to all the November contracts. Iraqi oil officials refused to speak about the changes.

However, an oil industry executive said one modification gives the government the right to change production levels in order to comply with quotas that the Organization of Petroleum Exporting Countries (OPEC) might enforce on Iraq.

"They have accepted the changes, and we are finalizing the deal with them on Jan. 25" said Al Ameedi.

It's worth mentioning that Exxon Mobil and its partner will be paid $1.90 for each extra barrel of oil the companies extract on top of current production at the field. They pledged to raise output to 2.325 million barrels per day from 279.000 bpd.

The West Qurna field holds 8.7 billion barrels in proven oil reserves; Exxon Mobil has 80% of the venture, with Shell holding the remaining 20%.

It was reported that all the oil firms involved in the November deals, have agreed to technical and legal amendments to their contracts that were introduced in order to ensure the deals' compliance with Iraqi law.

Iraq may become top global oil producer in 6-7 years

Iraqi Oil Minister, Hussian Al Shahristani said that he expects Iraq to be top global oil producer in six to seven years.

He added that Iraq suffered a lot after the war and needs to reconstruct its economy, through generating petrodollars to rebuild it, and that OPEC (Organization of the Petroleum Exporting Countries) should take that in mind.

"We can't find a reason to prevent Iraqi production becoming higher than any other OPEC state or even states outside OPEC. We expect that to happen in the next six to seven years with coordination and agreement with other OPEC producers" he said.

Baghdad already took some steps toward this target by signing a series of oilfield development deals with global oil firms. Iraq is looking set to lift capacity to 12 million barrels per day in the next six or seven years, strengthening its hand for future negotiations on output quotas with OPEC.

Iraq is expected to present to OPEC partners new ideas in 2011 to fit with Baghdad's plans to boost production.

On the other hand, OPEC is likely to try to get Iraq to curb output rather than pump all its extra capacity onto the market, according to analysts.

"We are not interested to flood the market with oil. Our future policy is to get higher revenues for Iraq rather than higher production and flooding the market" Shahristani responded.

Statoil: Small oil discovery in the Tampen area

Statoil announced a limited indications of oil exploration during drilling in the Omega Nord well six kilometers north-east of the Snorre field in the North Sea.

However, the discovery might not be commercially viable due to the qualities of the sand and shale rocks.

The reason behind this exploration well was to confirm the existence of petroleum in upper Triassic reservoir rocks in the Lunde formation.

Head of infrastructure-led exploration in the North Sea, Tom Dreyer commented on the find "We have achieved good results in infrastructure-led exploration the last few years, but this well did not produce the results we had hoped for,"

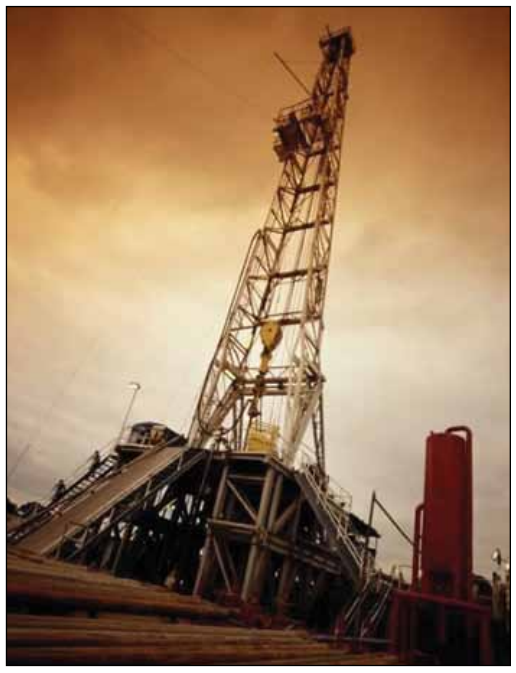
They also stated that no formation test was performed in the well, but extensive data gathering and sampling were made.

The exploration well 34/4-12 S was drilled by Ocean Vanguard, which will now drill exploration well 34/4-12 A in Snorre Unit from the same rig position.

This is the 12th exploration well in production license 057, which was awarded in the fourth licensing round in 1979.

The licensees in PL 057 include Statoil as the operator with 31.0%, Petoro AS with 30.0%, RWE Dea Norge AS with 24.5%, Idemitsu Petroleum Norge AS with 9.6% and Hess Norge AS with the remaining 4.9%.

Gulfsands abandons Syria well



Gulfsands Petroleum said it deserted the Zaman-1 exploration well in Syria, after the company discovered small quantity of non-commercial oil at the well.

"The data from this drill stem test suggests that good quality reservoirs can be encountered to the south of the Khurbet East Field which is encouraging for future exploration in this area and something we were keen to establish with this well," said Gulfsands chief executive, Richard Malcolm.

"Only traces of oil observed at a depth of between 2086 and 2100 meters at the surface," the company reported.

Gulfsands recently announced that they found oil in the Khurbet East-14 (KHE-14) well at its 26 concession in Syria.

The oil and gas company, which has operations in Syria, Iraq, and the United States, said the average daily gross oil production at the Khurbet East Field continued at a rate of 17,000 barrels per day.

Gulfsands holds a 50 percent interest at Block 26.

CNPC: China's imports to rise

The state owned Chinese oil firm China National Petroleum Corporation (CNPC) said that it expects China's oil imports to increase 9.1 % to reach 212 million tones in 2010, 4.24 million barrels per day (bpd).

CNPC added that net oil imports could rise 8.3 % to reach 234 million tones, according to an annual report released in last February.

The Research Institute of Economics and Technology of CNPC reported that China's oil demand will grow more than 5 % to reach 427 million tones this year, 8.45 million bpd.

The institute added that the country's crude refining capacity is assumed to increase to 515 million tones, 10.3 million bpd by the end of the year.

The annual report said that natural gas imports will reach more than ten billion cubic meters in 2010.

Iraq forms new state-owned firm

The Iraqi ministry spokesman, Assem Jihad said that Iraq launched its fourth sate-owned oil company, to oversee development of fields in the country's central.

The Midland Oil Company will join the North, South and Maysan companies to help boosting the country's oil output.

"We decided to establish the Middle Oil Company which will be responsible for developing the oilfields in Baghdad and surrounding provinces," said Jihad.

The oil ministry said the company is named Sharikat Naft Wasat in arabic, and will be translated to the Midland in english.

The state-owned Iraqi Oil Exploration Company, which will be managed by the new formed Midland Oil Company, will be responsible for managing oilfields in Anbar, Babil, Diyala, Diwaniyah, Karbala and Wasit provinces, according to the ministry.

The ministry lately awarded a consortium of Russia's Gazprom (30%), Turkey's TPAO (7.5%), South Korea's Kogas (22.5%) and Malaysia's Petronas (15%) a deal to develop the Badra field, south-east of Baghdad.

Midland has a 25% stake in the Badra contract; the field has a production of 109 million barrels.

"We took this decision following the country's recent decision to grant licenses to foreign companies. The Middle Oil Company will supervise the new developments." added Jihad.

Kuwait to boost Northern production

Hosnia Hashim, an executive in charge of North Kuwait for state owned Kuwait Oil Company (KOC), told Al Seyassah newspaper that the northern fields currently produce around 650,000 barrel of oil and 500 million cubic feet of gas per day.

She pointed out that Kuwait's goal is to increase the northern fields' oil output to one million barrels per day (bpd) by 2015.

She added that KOC is working on a new project in the north that will boost up the production capacity 500,000 bpd from offshore fields and 400.000 bpd from onshore by 2014 - 2015.

She only said it will be through using water injection technology, but did not mention any other details on the current output from both districts.

The OPEC member is considered the fourth largest oil producer, and planning to raise its output to four million bpd by 2020.

Kuwait produces 2.28 million bpd at this time, according to the latest survey.

A 54% growth in European offshore wind power market

In 2009, a total of eight new wind farms consisting of 199 offshore wind turbines, with a combined power generating capacity of 577 MW, were connected to the grid in Europe. This represents a growth rate of 54% compared to the 373 MW installed during 2008.

For 2010, the European Wind Energy Association (EWEA) expects the completion of 10 additional European offshore wind farms, adding 1,000 MW and equivalent to market growth of 75% compared to 2009.

"This is an incredibly good result considering the continued difficulties of obtaining project finance for large projects", said Christian Kjaer, EWEA Chief Executive. Currently, 17 offshore wind farms are under construction in Europe, totaling more than 3,500 MW, with just under half being constructed in UK waters. In addition, a further 52 offshore wind farms have won full consent in European waters, totaling more than 16,000 MW, with just over half of this capacity planned in Germany. In 2009, the turnover of the offshore wind industry was approximately €1.5 billion, and EWEA expects this to double in 2010 to approximately €3 billion.

"The push given by the decision to inject €255 million under the European Union's European Economic Recovery Plan into the offshore wind sector showed that decision makers understand that offshore wind is key to Europe's future energy supplies. The European Investment Bank's (EIB) increased involvement will also be instrumental for the future success of offshore wind's contribution to European recovery, job creation and technology leadership," concluded EWEA's CEO.

Europe is the world leader in offshore wind with 828 wind turbines and a cumulative capacity of 2,056 MW spread across 38 offshore wind farms in nine European countries. The UK and Denmark are the current leaders, with a 44% and 30% share respectively.

General Electric CEO eyes ME nuclear deal

US giant General Electric (GE) is still keen to win nuclear energy contracts in the Middle East, despite missing out on a $40 billion deal to build and operate four nuclear reactors for the UAE last January, told GE CEO the Arabian Business.

He highlighted that the company would "love to do a nuclear project" in the region, as more Gulf States eye nuclear as an alternative energy source to hydrocarbons. "I think Masdar City will be a good experiment and our view is we were a participant through our joint venture in nuclear to try to win the nuclear plant in Abu Dhabi we did not win it but we would love to do a nuclear project in the Middle East as more of them come open and commercially available," added Jeff Immelt.

The comments of GE CEO come after a consortium led by General Electric lost out in a bid to design, build and run four reactors in the UAE with capacity to produce 1,400 megawatts each of electricity. The contract to build the plants was worth around $20 billion, and the winning consortium, led by state-owned utility Korea Electric Power Corp (KEPCO), expects to earn another $20 billion by jointly operating the reactors for 60 years.

Work on the first nuclear plant in the Gulf Arab region is expected to begin in 2012, and all four reactors are due to be completed by 2020.The UAE, the world's third-largest oil exporter, needs the nuclear power to help meet an expected rise in electricity demand to 40,000 MW in 2020 from around 15,000 MW last year, amid a petrodollar-fuelled economic boom.

Japan finances Morocco's first solar energy project

Japan donated $7.4 million to Morocco to carry out a clean energy project using the photovoltaic solar system.

The agreement was signed in Rabat by Morocco's Energy Minister, Amina Benkhadra, and Japan's Ambassador to Morocco, Haruko Hirose.

The donation will help financing the setting up of an electricity production plant based on a 1MW-photovoltaic cells in the southern city of Assa-Zag. Through this project, Morocco will have its first photovoltaic solar energy plant and the largest in Africa.

Speaking on this occasion, Benkhadra said that Morocco and Japan have a very rich and an intense cooperation in various sectors, notably water and rural electrification, and hailed the Japanese constant support for socio-economic projects launched in Morocco.

MOVA 's upgrade hits the oil & gas logistics sector

Mrs. Mahy Tousson, Managing Director of MOVA Transportation & Oil Services, Drexel Oilfield Equipment (Egypt), states that MOVA will start offering global freight forwarding services, airfreight as well as seafreight to and from Egypt within the next coming weeks.

By Christine Nabil

1-Being in the market since 1976 and after operating solely in the transportation and heavy lifting domain in the oil and gas sector in 1996, what are the developments that MOVA has done along this period?

MOVA started out only providing transportation and craneages services and has since added other logistics services to its scope including freight forwading, rig moves, warehousing and logistics project management.

Logistics project management is now the key service meaning complete management of all logistics related to one project from the beginning and till the very end which adds very high value to any oil and gas project. This includes planning for the logistics operations including setting clear procedures and assigning accountability, executing these procedures and evaluating our own performance in terms of HSE standards, target time frames and cost effectiveness.

As you may already know, MOVA is part of the Sahara Group of companies. In Q3 2009, MOVA has joined management with its sister company – Drexel Oilfield Equipment. Drexel are long-time providers of company representation services and Business Process Outsourcing (BPO) including project management and logistical Support.

2-What are the achievements that you have accomplished so far?

Since introducing the new management in 2009, MOVA has undergone a major facelift with a new head office in New Maadi, ISO 9001: 2008 certification and updated HSE procedures and personnel. MOVA's vehicles have also had rigorous inspections and recertifications and an intensive training plan has been put in place for our drivers, operators and staff.

With regards to service scope expansion, we have now introduced rig moves to our scope and have secured a contract with one of the largest drilling companies in Egypt

In addition to this drilling company, during 2009 MOVA has also secured contracts with five other clients including major joint venture operators.

3-Did the economic crisis affect MOVA's investment and activity in the market?
And if yes to what extent did they get affected?

Of course the economic crisis has affected everyone on some level. It reduced foreign investment, drilling and special projects has caused delays in some projects/contracts and some have been cancelled all together. However, I think the effect on MOVA has been relatively minimal and indirect. Firstly, this is because the types of services that MOVA provides are indispensable and secondly because MOVA is very flexible in adding new services to comply with the changing market needs.

4-What are your expectations for the logistics sector in the oil and gas sector in Egypt in 2010?

As it was mentioned previously that everyone is suffering from the economic crisis to some extent but my expectations for the logistics sector is that it will maintain relatively stable. The current recession will most likely weed out the weaker companies and leave the transportation and logistics market with fewer but stronger service providers.

5-Do you think the Egyptian market is creating a suitable environment for investment in the logistics sector in oil and gas?

Yes, I think the relevant parties are making a significant effort to stabilize the sector. There have been a few reductions in customs duties on imported tractors and other vehicles which of course encourages new equipment acquisition. The Ministry's approval of over a dozen new exploration agreements last year is also supportive. Needless to say, the more operations there are, the greater the economic justification for investments.

6- It is our understanding that health and safety is a very big client concern when it comes to transportation and logistics companies. What efforts are you making in this direction?

MOVA currently operates under an occupational health and safety management system that is in conformance with the BS EN ISO 9001:2008 standard with a very strong commitment from upper level management to the highest HSE standards and accident prevention. All MOVA equipment is certified or in the process and all MOVA staff including drivers attend regular safety training courses, safety meetings and are audited regularly.

7-Do you consider increasing your offered services in the coming period?

Within weeks, MOVA will start offering global freight forwarding services; airfreight and seafreight to and from Egypt from any point of origin/destination. We are also adding customs clearance to our scope of services in Egypt. These two services have already been legally added to MOVA's licensed and we expect to commence with these very shortly.

8- Is MOVA considering any additional investments in 2010? ?

We are considering increasing our investments to cover the addition of new equipment to our fleet to serve the five new contracts and the future expected contracts as well. Since our clients' operations are spread out all over the country, we are also planning to increase the number of facilities-bases in order to be more geographically diverse to meet the clients' needs more efficiently .

9- We knew that there will be future plans of integration with Drexel ?what are the projects that you will carry out?

Our plan is to join forces to bring a new concept to the Egyptian market: optimal logistics solutions. We believe that with Drexel's management experience and MOVA's capabilities, we can offer the Egyptian market comprehensive and integrated BPO from human resources, to procurement, supply chain, general & administrative services and the full gamut of logistics services.

10-What are the other companies that you are considering to deal with?

We have recently approached and held discussions with several multi-national companies in the oil and gas sector and we expect new agreements for transportation and heavy lifting to be signed with these clients within 2010.

It's known in the Egyptian market that most transportation and logistics companies are known to be relatively small-scale companies. MOVA and Drexel however are now taking these types of services to a different level.

All lies in the infrastructure Part III

As highlighted in the previous part, the increasing production of petroleum products has to have an equal increasing grid of pipeline infrastructure, with an appropriate capacity suitable to transmit the quantities of products to various areas of the country. Therefore, how far does the current transmission pipeline system facilitate/accommodate the transmission process? What are the future expansion plans?

By Yomna Bassiouni

Egypt, known to have one of the largest oil and gas infrastructures in the African continent, holds around 16800 km of gas pipelines, out of which 5800 km are gas transmission pipelines. There has been a continuous funding from the government side, represented in the Ministry of Petroleum, to finance the bulk of implementing this pipeline network, especially the transmission segment, in order to ensure the distribution of oil and gas all over the country. The Ministry, through GASCO and the Petroleum Pipelines Company (PPC), developed transmission systems to fuel the power stations and the growing industrial sector with the needed gas.

Divided into two main categories, gas and liquid pipeline systems, the country's current gas transmission system transports gas from the gas rich coastal area at the Nile Delta to the areas of Upper Egypt, Sinai and Suez and then on to export to Jordan and Israel. Moreover, in order to further serve the demands of a more significant number of industrial, commercial and residential customers, a gas pipeline distribution network has been implemented in the urban and semi-urban areas in the Nile Delta, around the governorates of Cairo, Alexandria and Suez.

The second type is the liquid pipeline system that is currently concentrated between Alexandria (El Max area) on the coast of the Mediterranean Sea and the Gulf of Suez (Sadat area). This type transports a wide variety of products to end-users, such as crude oil for refining; LPG for commercial and domestic users and power stations that burn fuel oil as primary feedstock or dual fuel. The liquid pipelines are associated with many facilities, including storage tanks that are located at different strategic points around the country.

Gas Pipeline Network… Present and Future

Currently, the gas pipeline system transports gas mainly from the fields situated in the areas of the Western Desert and Offshore Mediterranean to domestic demand centers in the Nile Delta and along the west coast of the Gulf of Suez. This pipeline system consists of pipelines, compressor stations ad metering stations. Over the years, several parts of this network have been gradually extended to accommodate increased capacity needs.

Although that the current network satisfies, to a significant extent, the local demand, some areas are expected to require major increased demand capacity, based on recent studies.

1) North East Region, Sinai and export through the Arab Gas Pipeline

This area is characterized by the existence of several high demand locations, expected to augment in the future, including Arab Gas Pipeline (the required capacity utilization to be more than doubled over the next five years, from 240 MMscfd to 580 MMscfd), Red Sea Coastel area (with power stations at Nuweiba and Sharm el-Sheikh), South of Arish (military cement and industrial areas) and Sharm El-Sheikh.

In order to prevent the short-term capacity constraints in this region, GASCO is studying plans for some additional pipeline infrastructure that would extend from El Horany and El Tina to Arish. The first pipeline being constructed is extended from El Horany to El Tina via El Gamil over a length of 90 km, while the second is from El Tina to Arish (155 km-length and a future compressor station to be built in Arish). These expansions are scheduled to start their operations in the period between 2009-2011. Moreover, as an attempt to increase flow capacity from west to east, a large diameter pipeline from Idku to Damietta is being planned and will be installed during this year.

2) West of Suez region, supply south to Sokhna area

There are two new demand locations (an existing power station at Hurghada and a new power station at Safaga), located in the south of Sokhna that require the supply of a new pipeline spur.

The present pipeline system, located to the west of the Gulf of Suez, transports gas from the offshore fields of Egypt's north coast to the demand centers further south, along the west coast of the Gulf of Suez. Based on the expansion plans for this area, the pipeline architecture will be extended in the west of Suez with looped pipelines from Abu Soltan to Sokhna and from Ras Bakr to Ras Shukier along with the extension of current pipeline from Hurghada to Safaga.

3) Upper Egypt region, along the Nile towards Aswan

The gas is delivered to Minya through two main spine pipelines as far as Koraymat. The already existing pipeline system is to be expanded; a pipeline spine is being installed from Minya to Aswan, compromising a single compressor station. But, as demand will be increasing, installation of additional compressor stations will be considered to add to the pipeline system to serve future demands, such as in the areas of Assiut, Sohag, Quena and Aswan. It is worth noting that there are other areas that may have potential flow capacity constraints, such as the supply to the Nobaria power station and a new pipeline that is currently built from Abu Homos to Nobaria to accommodate increased flow capacity and planned to further extend from Nobaria to El Sadat and on to Dahshour. Such expansions are of a great vitality to secure gas supply to Upper Egypt, as they create multiple supply pipelines in this area.

4) West of Cairo region

In this region, there is a pipeline system that is mainly located to the west, and also to the north west of Cairo and transports gas from he offshore fields of the country's north coast to the demand centers in the west and south of Cairo. However, due to the increased demand in Upper Egypt, this system capacity rate has to be expanded to meet this demand, that is the reason why GASCO is currently constructing and planning several pipelines to alleviate any possible capacity constraint and connecting Abu Homos to Nobaria and to Dahshour.

The vigorous plans of the Ministry to expand its gas pipeline networks should put into considerations some factors that may challenge/hinder the execution of these plans, such as security of supply, project schedule and efficiency of operation.

As a matter of fact, it is vital for any strategic pipeline system to operate with a suitable level of redundancy, such as in the event of unforeseen conditions (loss of containment of a pipeline, shut down whilst repair, damages to pipeline/compressor station…etc); gas delivery is not adversely affected. Therefore, a way to back up supply flow can be achieved through pipeline redundancy. The current pipeline network has several pipeline sections; more than one pipeline transporting gas to demand centers. In other words, in case of the shut down of any pipeline, there are always other pipelines to deliver gas. Also, redundant pipelines allow more variability of flow, and have the ability to increase line pack storage, potentially allowing an optimization of a system and accommodating large swing in diurnal supply rate.

This back up solution is clearly present in the planned pipeline network from Nobaria to El Sadat and on to Dahshour.

A pipeline duality/ ring main is an indispensable back up for securing supply flow. For instance, a subsea pipeline connecting Sharm El Sheikh with the pipeline to Safaga on the west of the Gulf of Suez and the pipeline connecting Safaga with Queft could provide a level of redundancy.

From another perspective, another benefit of such pipeline duality is to secure the exports to the Arab pipeline in the case of flow interruptions in the single East Gas Pipeline from Arish to Taba.

The second factor that should be well considered is the punctuality of each project schedule. Too many projects are competing in a very constrained market place for materials and equipments that is why punctuality is important. Also, delivery times for pipelines facilities such as compressors can extend to two years and even more, hence, advance planning is fundamental to make sure that the delivery dates would never be missed.

Finally, time accuracy can never be separated from the high quality. Here comes the third factor, which is the efficiency of operations. There are potential opportunities available to create an increasingly efficient gas pipeline network by utilizing sophisticated network analysis to develop an architecture able to operate at maximum efficiency and employing real time transient modeling to optimize compressor and network operation.

To be continued..

Factors of Success

ACT Model summarizes Organizational Success

Many organizations develop great vision/mission statements yet are unable to implement them. After researching a number of organizations with particular concentration on Gulf countries, we have determined that there are three major cornerstones that an organization must have in place; Organizational Alignment, Open Communication, and Functional Trust (ACT) in order to succeed

By Rimon W. Bitar, Executive Vice President, Linkage MENA

Organizational Alignment refers to focusing the attention of all members of an organization towards the achievement of a common goal, such as increase in sales, profitability, or productivity. It can be argued that the single most important alignment goal is customer satisfaction, which leads to the increase of sales, profit and productivity.

One of the best examples of alignment is the story of two bricklayers. One was asked what he was doing. He replied, "I am laying bricks." The second was asked the same question and he replied, "I am building a mosque."

The difference in the answers is alignment. In the second reply, the bricklayer was given an insight into the total scope of the project. The first was not.

Question: Which of the two bricklayers do you think will be more productive?

Open Communication requires that everyone in an organization have the freedom to communicate both horizontally and vertically. Both horizontal and vertical communication must be focused on a common objective; customer satisfaction.

One of the most important mistakes many organizations make is the assumption that communication with employees is completed when management tells them what is expected of them. In order for communication to be effective, there must be a feedback mechanism in place so employees can contribute to the decision making process.

Without a feedback mechanism, the management of the organization is forced to make important decisions without knowing or understanding the real-time conditions of the market place.

Imagine two armies, one where the commanding officers issue orders with no input from the soldiers on the front line. The second army requires feed back on such issues as the position of the enemy, weather conditions, casualties, and supply needs.

Question: Which of the two armies will be the most successful?

Functional Trust does not just exist; it is earned on customer expectations that have been met on both an interpersonal and business levels. Successful organizations trust their employees and empower them to make decisions based on satisfying customers. When organizations empower their employees, they do so with the understanding that, from time to time, an employee will make a mistake. When such a mistake occurs, management uses the experience to create a learning environment.

Nordstrom, a successful department store in the U.S, encourages their employees to accept returned merchandise with no questions asked. Other department stores require extensive, time consuming paperwork before they will accept returned merchandise.

Question: Which department store is more customer-focused?

One of our well-known telecom clients is an excellent example of how ACT worked for them. This client determined that their five-year goal should be to become one of the top ten global telecom companies. Working together with us, senior leadership developed the goals, strategy and tactics required to proceed with their five-year plan.

Senior management then "aligned" divisional leaders so they would buy into the plan. Each division's senior leadership created a specific departmental plan that was aligned with the over-all corporate plan. These departmental plans were then "communicated" to all employees. In the process management successfully built a strong culture of "trust" within the organization.

There is a very important element that also must be understood to ensure success; consistency. Too often management announces elaborate programs designed to result in customer satisfaction. They then assume that everything will fall into place without on-going, aggressive support.

By ACTing you are building and supporting a leadership culture in your organization.

This means that everyone within the organization is responsible for leadership within his or her specific area.

This is the first in a series of articles discussing alignment, communication and trust.

El-Khazindar: Aiming to take service quality to the next level

Operating in Egypt since 1937, Yasser El-Khazindar, Vice President and General Manager – East Mediterranean of Schlumberger, stressed that despite the variation of ranks from one market segment to another, Schlumberger currently holds the top rank in the Egyptian market segments altogether

By Mohamed Fouad

Did Schlumberger have to modify its pricing list to cope with the global economic crisis?

Schlumberger depends for its revenues on the size of the oil and gas exploration and production budgets of its customers. The global economic crisis led to lower oil and gas commodity prices, which in turn led to lower customer budgets. As a result, Schlumberger chose to respond positively to customer requests for lower pricing, achieving this through negotiation that respected both customer and Schlumberger considerations.

How far have the service companies been affected by downsizing operations in Egypt during 2009?

We have seen similar cycles in the past. We are in a continuous process of adjusting our resources to meet our customers' operational requirements. When activity dropped during the earlier part of 2009, we responded by adjusting to these new activity levels.

When do you expect a recovery? In Egypt in particular, and worldwide

During the later part of 2009, we have seen stabilization in the activity levels and now we are seeing some positive signs of improvement. Considering that international agencies like the IMF are now suggesting a worldwide GDP growth of four percent, global oil demand has been revised up to over 86 million bpd in 2010. With higher commodity prices, this has led to a certain confidence for our customers in terms of maintaining their investments. We expect activity to gradually pick up during 2010 and continue on an uptrend in 2011.

What was the volume of your investments in 2009? (Compared to the years of 2008 and 2007)

What differentiates Schlumberger from most companies is its continuous commitment to investment in R&D, even in adverse economic conditions. In 2009 Schlumberger investments continued at the same level as the previous years with approximately $800 million US dollars invested in R&D.

How much would be the volume of your investments this year?

Our 2010 investments are expected to remain at the same 2009 levels.

What were Schlumberger's major projects in Egypt in 2009?

In my opinion any exploration project is a major project. In 2009 Schlumberger was involved in most of the exploration projects in the Mediterranean, Western Desert, Nile Delta and Gulf of Suez regions, be it with our wireline logging, our drilling and measurements, our cementing and stimulation or our well testing services. Those projects were also supported by our data and consulting services as well as our Information Solutions product lines.

Schlumberger laid off hundreds of US workers last year… was this case in Egypt?

As mentioned earlier, we adjusted the size of our workforce to match the operational requirements of our customers with only a minimal reduction in headcount.

How do you evaluate the competition between service companies in Egypt?

Like in all other countries, competition in Egypt is fierce. Schlumberger has been working in Egypt since 1937 and has a long and impressive record in the industry. In addition Schlumberger has the trust of all operators, large and small, to meet and exceed their expectations, especially in difficult and critical operations. As such we are always happy to offer our products and services to all clients. In the process of doing that, we respect all our competitors, local and international, and are happy to engage with them in a fair competition.

You were ranked 1st in the list of 10 world's largest oilfield services companies, in terms of 2008 revenues ($27.16 billion). Have you succeeded to keep this rank in 2009?

Yes indeed we have. Although worldwide revenues were 16% lower in 2009 compared to 2008, we still maintained our position as the leading oilfield services company in the world.

What is your rank in the Egyptian market?

This rank varies from one market segment to another, but if we add all those in which we offer services together, we would also hold the top rank in Egypt.

HSE is playing an integral role in the sector. What are Schlumberger ethics and contributions concerning this vital topic?

HSE is integral to our work culture. The foundation is leadership, commitment and accountability from top management. We believe that all loss can be prevented and that prevention of accidents is good business.

One program that we are particularly proud of is an observation and Intervention program.

This program is primarily addressing human factors and change behavior. The focus is on individuals while working and is conducted to identify both unsafe and safe acts, behaviors and practice. The focus is on people.

As a recognized industry leader in HSE, we work closely with all our customers to improve our performance. As part of our commitment towards reducing driving related accidents, we have teamed-up with a number of customers to train and increase the awareness of individuals in the industry as well as outside the industry on driving & Journey management. These campaigns were run very successfully during 2009 and we intend to continue these efforts in 2010.

You were exposed to various petroleum sectors, such as India, USA, UAE, Qatar and Yemen

How different are these sectors compared to the Egyptian one?

Off course each place is a bit different. The Egyptian market is very fascinating as it incorporates a very wide range of work environment ranging from simple wells to very high profile deep water wells. I am privileged to have worked and lived in all these countries.

Each one of these assignments has added a lot to my knowledge and experience. I feel honored to bring back all this experience to my home country.

Currently being the VP & General Manager of the East Mediterranean region, what did you learn from your wide/diverse experience and want to apply in Egypt?

The main reason why Schlumberger tends to move employees around the various countries and continents is to ensure that they get the highest exposure to different work environments, and experience different working conditions and lifestyles. The idea is to try and spread the "right" practices around the world and in the process to eliminate the "wrong" ones. My last assignment before coming back home was in the USA and the one thing that I intend to implement here is the strong HSE culture, particularly in driving.

People should not wear seat belts or adhere to speed limits just because it is a legal or employment requirement; it should be part of their day to day behavior. I would love to see our employees taking these habits back home to their families and making them a part of their daily life, especially outside of working hours.

What was your first decision as VP and General Manager?

As you are aware, I started my current assignment in March 2009, right at the time when the effects of the economic crisis were becoming visible in the Egyptian oil sector activities. As such, my first order of business had to be to work on optimizing the resources to ensure that they are in line with our activity.

Is there a plan to expand your fleet in Egypt, Middle East and Africa Region?

In Schlumberger, we adapt and respond to the short term market conditions but we also continue investing for the long term. Considering the positive signs we see in the marketplace, our plan is to continue recruiting talents and expanding our fleet.

What is Schlumberger Egypt plan for 2010?

To continue working closely with our customers and offer solutions that would address to their requirements and challenges. To provide our customers with outstanding service quality and keeping the focus on HSE will continue during the year.

Our people and our technology are at the core of our values in Schlumberger. We will continue the investment in training and development of our people. We are also bringing in new technologies and upgrading the existing facilities.

How do you see service quality performance in Egypt?

We use a number of indicators including reliability and efficiency indicators to measure our service quality performance. As a company we primarily measure our rig-related performance, as this has the greatest cost impact on our customers.

Our indicators have steadily improved in comparison to previous years and progress was recorded across most of our product lines. Obviously there are always areas where we can improve – this is something that we are addressing in 2010. A number of initiatives are underway to take service quality to the next level.

A closing statement exclusive to Egypt Oil & Gas.

As mentioned earlier, Schlumberger has been committed to the Egyptian oil and gas industry since 1937, which is 73 years ago now. We believe that this sector has very solid roots in the ground and has a very strong potential especially with the efforts that the government is putting in supporting it and in encouraging further investment in it.

Schlumberger is very excited about the future of the oil sector in Egypt and intends to be an integral contributor to its growth and success. We have done this in the past through the use of state of the art technology and superior service quality. We intend to continue doing so for at least another 73 years.

Industry Lacks Service Quality

Providing the higher quality became the key factor for service companies in Egypt without taking their eyes off the price aspect to keep themselves within the competition

By Tamer Abd El-aziz

Egypt's drilling service sector is currently wracked with the debate of whether low costs equipment best serves the needs of drilling operators or whether high quality, but high cost tools proves a better long-term investment. Such debate has generated a call by some for a protocol on quality standards in the domestic market.

Now service companies are faced with how to maximize profit while still delivering quality to operators. Here in the Egyptian market, there have been a series of complaints about the equipment, follow-up, engineering services and costs.

High costs of deepwater drilling forces operators to consider both competitive prices as well as high quality equipment with advanced performance that can sustain harsh conditions and heavy wear. BG, BP, Shell, Hess and Statoil are among the major companies operating in the deepwater arena. All are trusted names due to financial solvency and proven experience in deepwater drilling projects.

The Mediterranean and Gulf of Suez are key locations for service firms that tackle the difficulty and higher costs of deepwater drilling. Drilling requires updated and sophisticated technology to avoid the standard risks that are part of such an endeavor; deepwater drilling especially takes a toll on equipment due to high temperatures and pressure. The environmental wear on drilling equipment creates incentive for both service and manufacturing companies to develop and provide a superior product. Therefore there is a high level of competition to deliver state of the art deepwater drilling supplies at a competitive price in the service market. Yet many domestic companies advertise their prices without much guarantee of their product as a means of getting a foot in the service market door.

Officials within the service sector emphasize that higher quality of services correlates with a substantial price increase but advocate for reliable equipment investments as the most sustainable means of doing business. Despite consensus on the need for high quality services within this market, many officials commented on the growing number of service providers offering a low cost product as a means of entering the market and gaining a share in the profit.

The use of low quality equipment has detrimental results for drilling operations and requires constant re-purchasing of tools, incurring a long-term drain of funds. While quality in the Egyptian market should have the same definition as anywhere else, providing the highest quality at a low cost and insuring after sale service on the product, here in Egypt this is not always the case. It is this predicament that has many members of the petroleum industry calling for market reform and warning against the low quality items that have penetrated the service market.

While higher cost tools require a larger initial investment their durability is proven to be better and longer lasting thus

Market Segment	Revenues (Millions)												Percentage Change	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010
Offshore Contract Drilling	$10,338	$11,644	$14,916	$13,943	$13,673	$14,634	$18,629	$27,318	$36,308	$43,728	$43,650	$42,777	0%	-2%
Offshore Construction Services	$12,537	$10,122	$11,682	$14,410	$15,467	$16,469	$19,271	$25,043	$29,358	$31,852	$32,203	$32,858	1%	2%
Pressure Pumping Services	$4,229	$5,986	$7,938	$6,633	$7,943	$9,805	$13,307	$18,156	$20,889	$24,725	$16,915	$18,307	-32%	8%
Land Contract Drilling	$4,872	$6,626	$8,981	$7,038	$8,811	$10,974	$15,569	$21,440	$21,303	$24,119	$16,514	$17,873	-32%	8%
Oil Country Tubular Goods	$5,384	$6,569	$9,256	$8,211	$7,354	$10,095	$13,928	$16,697	$17,015	$21,717	$15,380	$14,519	-29%	-6%
Rig Equipment	$2,802	$2,626	$3,349	$3,176	$3,480	$3,862	$4,871	$8,122	$11,404	$14,223	$13,193	$11,214	-7%	-15%
Geophysical Equipment & Services	$4,771	$4,755	$5,756	$5,866	$5,671	$6,292	$7,780	$10,922	$13,742	$15,230	$12,338	$11,968	-19%	-3%
Subsea Equipment	$2,275	$2,220	$2,768	$3,091	$3,577	$4,384	$5,617	$7,525	$9,607	$11,589	$11,724	$11,962	1%	2%
Wireline Logging	$3,115	$3,961	$4,718	$4,309	$4,890	$5,606	$6,748	$8,192	$9,783	$11,658	$8,600	$9,308	-26%	8%
Directional Drilling Services	$1,642	$2,076	$2,698	$2,751	$3,050	$3,590	$4,730	$6,615	$8,413	$10,110	$8,480	$9,178	-16%	8%
Drilling & Completion Fluids	$2,644	$3,109	$3,782	$3,458	$3,955	$4,580	$5,344	$6,814	$7,874	$9,125	$7,213	$7,807	-21%	8%
Completion Equipment & Services	$1,894	$2,231	$2,814	$2,719	$2,944	$3,401	$4,040	$5,461	$6,681	$7,396	$6,430	$6,561	-13%	2%
Artificial Lift	$1,588	$2,142	$2,650	$2,666	$2,943	$3,541	$4,141	$5,030	$5,725	$6,915	$5,791	$6,268	-16%	8%
Supply Vessels	$2,294	$2,405	$2,934	$2,681	$2,637	$2,861	$3,461	$4,480	$5,146	$5,961	$5,753	$5,870	-3%	2%
Rental & Fishing Services	$1,259	$1,618	$2,287	$2,083	$2,385	$2,941	$3,653	$4,832	$5,542	$6,364	$4,599	$4,978	-28%	8%
Petroleum Aviation	$1,442	$1,581	$1,755	$1,883	$1,948	$2,216	$2,427	$2,810	$3,268	$3,772	$3,835	$3,912	2%	2%
Specialty Chemicals	$1,288	$1,389	$1,550	$1,592	$1,826	$2,146	$2,575	$3,145	$3,804	$4,623	$3,693	$3,997	-20%	8%
Surface Equipment	$1,090	$1,240	$1,447	$1,345	$1,483	$1,797	$2,191	$2,876	$3,366	$4,168	$3,043	$3,294	-27%	8%
Drill Bits	$870	$1,117	$1,391	$1,295	$1,476	$1,789	$2,280	$3,004	$3,380	$3,890	$2,858	$3,155	-27%	10%
Floating Production Services	$773	$929	$1,018	$1,186	$1,310	$1,508	$1,640	$1,675	$1,995	$2,459	$2,644	$2,882	8%	9%
Solids Control & Waste Management	$809	$928	$1,175	$1,059	$1,123	$1,345	$1,746	$2,319	$2,837	$3,319	$2,615	$2,830	-21%	8%
Well Servicing	$1,390	$1,866	$2,278	$1,711	$2,048	$2,354	$3,060	$4,014	$4,083	$4,280	$2,551	$3,129	-40%	23%
Logging-While-Drilling	$518	$628	$770	$765	$842	$983	$1,265	$1,750	$2,242	$2,748	$2,375	$2,571	-14%	8%
Coiled Tubing Services	$679	$943	$1,257	$1,014	$1,206	$1,529	$2,027	$2,604	$2,835	$3,312	$2,348	$2,541	-29%	8%
Contract Compression Services	$985	$1,128	$1,266	$1,302	$1,435	$1,618	$1,847	$2,173	$2,415	$2,622	$2,362	$2,480	-10%	5%
Casing & Tubing Services	$561	$701	$998	$867	$1,009	$1,203	$1,555	$2,045	$2,334	$2,640	$1,984	$2,147	-25%	8%
Production Testing	$585	$655	$781	$774	$817	$818	$943	$1,255	$1,523	$1,955	$1,741	$1,686	-11%	-3%
Downhole Drilling Tools	$516	$691	$862	$676	$758	$912	$1,209	$1,804	$2,330	$2,613	$1,747	$1,957	-33%	12%
Surface Data Logging	$282	$326	$408	$423	$470	$541	$644	$809	$940	$1,123	$972	$992	-13%	2%
Unit Manufacturing	$277	$360	$627	$490	$553	$643	$1,070	$1,723	$2,420	$2,075	$966	$1,063	-53%	10%
Inspection & Coating	$328	$446	$491	$370	$414	$547	$721	$835	$887	$954	$747	$754	-22%	1%
Casing & Cementation Products	$149	$249	$305	$278	$303	$356	$476	$570	$690	$819	$657	$711	-20%	8%
TOTAL	**$74,187**	**$83,265**	**$104,911**	**$100,063**	**$107,801**	**$125,339**	**$158,764**	**$212,057**	**$250,139**	**$292,083**	**$245,921**	**$251,549**	-16%	2%
Annual Change		12%	26%	-5%	8%	16%	27%	34%	18%	17%	-16%	2%		

generating better results and putting the debate over which tools are better to purchase to rest.

In light of this inter sector debate and dissatisfaction with service quality, there is a call for some sort of overarching protocol in terms of a market standard for service products. Supporters of such reform believe the Egyptian market requires restructuring of provided services and a general quality policy in order to stop the infiltration of low quality equipment. Yet no one has specified whether they are calling on the government for a sectoral agreement in terms of such a protocol.

Members of the sector argue that low priced products with seductive but unrealistic benefits have had a negative effect on the service market in Egypt and do not aid in the expansion or development of the drilling sector. With more players from the private and public sectors of the industry contributing to the market, the competition has seen a surge over the last period. Many members of the service community see this as a positive move since it forces companies to try and out do each other in offering a superior product at the lowest price.

The "cheaper is better" motto is only applicable if quality of cheaper products is comparable to the higher priced brands. A misconception in the Egyptian market is that high end products are only acquired by connections and favoritism, instead of being chosen based on their merit. A standardized agreement would rectify these misconceptions and act as a means of ensuring quality to all potential buyers.

Companies and participants alike are calling for more cooperation between companies or a protocol in the market to determine the quality of services offered to the operating companies in Egypt.

In a climate that attracts investments of leading companies in the exploration and production field, a protocol would greatly add to the potential economic gains in the industry and make it a more appealing investment arena. "Quality needs a lot of effort, and the complete commitment from the government" commented a chairman who preferred to remain anonymous. Such a campaign will take time but would potentially remedy the internal issue the sector faces.

The implementation of such a reform would call for restructuring at every level as well as redefining strategic planning and goals. A protocol lays the foundation for the expansion of exploration and production activities, thus benefiting all divisions working in the petroleum sector. In addition, an agreement between the production companies is needed for the supply of common high-quality services that will also exclude products that do not meet the market standards.

> **"Quality needs a lot of effort, and the complete commitment from the government"**

Such an agreement stands to span the entire petroleum sector and create room for fair competition within the industry, in turn generating more competitive products and services. Yet a protocol in itself is not the only measure needed to rectify this niche market: service failure is often attributed to mismanagement and a lack of qualified or dedicated personnel.

A common standard for quality is not without its challenges especially in light of the fierce competition within the sector. There is however a widespread support base for the quality of occupational safety and health, but little has been done to implement real results. Such support is rooted in the immeasurable benefits it stands to provide. There is also a demand for some sort of reward and punishment system in service contracts to motivate companies to deliver better service without prejudice and to promote the principle of fair competition in the market.

Yet skeptics believe such a standard cannot be attained due to pervasive corruption, which hampers progress in the petroleum industry, an industry they feel lacks proficiency and well-trained local personnel.

Despite the seemingly positive concept of an overarching protocol in the drilling service sector, this reform movement does not go uncriticized and many suggest it fails to protect small businesses operating locally as a result of the lack of financial capacity to use high quality services. These small firms have hundreds of Egyptian workers and may be badly affected as a result of the reduced market shares for companies." Our companies mainly consist of Egyptian labor and we rarely rely on foreign." official said.

Many in the service world cited that such companies, who are often structured along a familial and a almost clannish basis, were founded when products were faulty and little could be done without an "in" into such a company.

Many such companies have succeeded in entrenching themselves in the domestic market by acting as general contractors and providing integrated services to the operator they have allied themselves with.

Some officials in the services sector are in favor of liberalization of the market, advocating it will provide high quality services and move way from clannish business practices. They point out that other neighboring developed countries liberalized their market with positive outcomes.

Yet companies like Halliburton do not seem willing to depend on the market and its conditions, and instead of lobbying for an overarching agreement on service standards, they created an internal system to combat service, quality and corruption issues.

Each company has its own standards and policies but major companies tend to rotate around similar standards, with a different process of implementation. Yet such a trend indicates that they are not dependent on market set standards and instead of encaging the market in protocol debates, seek to create an internal system that regulates their performance in the service market and the standard of equipment they generate. This may indicate that increasingly, Halliburton and it's like are signaling a trend in the service sector where companies turn inward to avoid market downfalls and a lack of access to market regulation

Unexpected amelioration in the rig market

The egyptian petroleum sector is on the verge of a huge change in its rig market, due to the recent exploration bids offered by the government in the Mediterranean, Gulf of Suez, Eastern and Western desert, Nile delta and Sinai.

The six Mediterranean concessions that were given to international operators assured the high demand on offshore rigs in the coming phase.

The rise in the exploration and rigs quest will also see a lift in the foreign investments flowing into the country, which will surely increase the country's production.

Petrobel and GUPCO are the major two operators in the marine area;. The two JV's are on a constant race for the domination of the oil and gas industry in this area. Their daily rental cost of drilling rigs estimate around $ 50,000 to $ 165,000, mainly provided by Transocean, Egyptian drilling company (EDC), Saipem and Pyramid Drilling Company (PDI).

The Western Desert is mainly led by Khalda Petroleum Company (KPC), which come first in the onshore drilling, "represent the core of petroleum sector reserves due to its huge output of oil and gas, because of their successful system and strategy" according to experts. In the end of 2008 Khalda had 25 rigs operating in different locations in the Western desert, and due to the global crisis, the firm only kept the vital ones to survive through recession. Although, the decrease in the number of rigs operating to reach 11, Khalda's production still ranks second just after Petrobel.

Looking back to the prices of onshore rigs now and to what they were from two years, the prices decreased 35%, drawing the attention of exploration companies to expand their drilling plans to benefit from the low price of rented rigs.

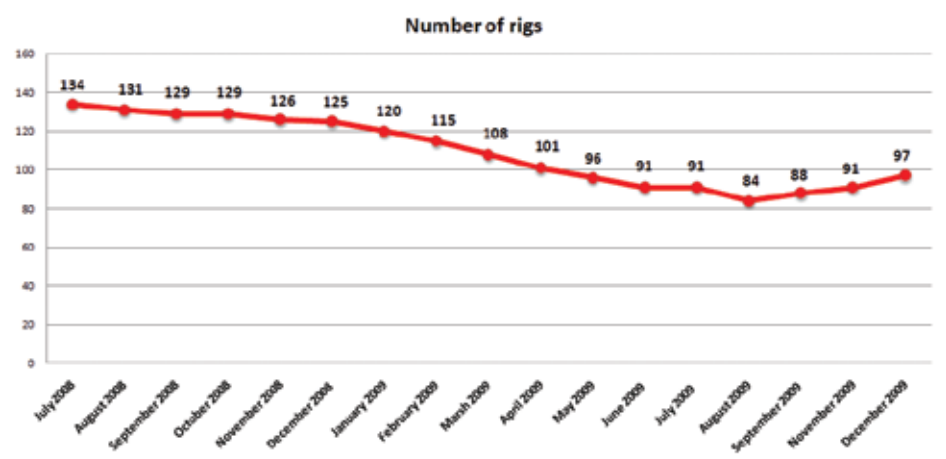
Drilling Rigs	Daily rent average 2008/2009	Daily rent average 2009/2010
2000 Horsepower Drilling Rig	22 – 26 thousand$	13 – 15 thousand$
1550 Horsepower Drilling Rig	18 – 20 thousand$	11 – 13 thousand$
1000 Horsepower Drilling Rig	14 – 16 thousand$	9 – 10 thousand$

Chart showing the decrease in rig prices in 2008/09 and 2009/10 fiscal year

Large number of companies had to decrease their drilling activity due to recession, while others took advantage of these low prices to go for more exploration. Naftogaz of Ukraine, who recently announced a new commercial discovery in its acquisition in Alam Al Shawish, was one of these companies to raise its prosperity. Naftogaz is in the process of founding a joint company with The Egyptian General Petroleum Corporation (EGPC).

In general, looking throughout the last three months, the number of operating rigs expected to increase in the upcoming stage, in both onshore and offshore rigs market.

Chart showing the number of operating rigs from July 2008 till December 2009



The chart shows the variation between the number of working rigs from July 2008 to December 2009, and that swing indicates an awaiting rise in the rig market.

MI SWACO introduces new technologies for the deep water activities

Due to acknowledging foreign experience, Hazem El Shaife, MI Swaco Country Manager emphasizes that new technologies in Egypt and the Middle East are always subjected to prices, not all the operators see the value of new technologies especially at the beginning awing to its high-cost

By Ahmed Morsy

What are MI SWACO latest technologies introduced to the Egyptian market?

We introduced two new technologies very recently for Shell and Bp in the deep water of the Mediterranean sea. One of them is PRESSPRO RT real-time hydraulics system. The PressPro RT technology service provides wellbore pressure management data to facilitate improved decision making, drilling fluid costs, Kick detection and reductions in non-productive time (NPT). It Complements PWD (does not replace) And can be used when PWD tool is not available. This is the first time this technology is introduced to the Egyptian market and it has been successfully used in various parts of the world (US , Canada, UK, Norway,…) The PRESSPRO RT service gives you more control in critical-well situations, "Critical" seems to be a popular term in today's drilling environment. With water depths approaching 10,000 ft, bottom-hole temperatures exceeding 450°F, extended-reach wells and exceptionally narrow pressure windows, there's very little that's routine about many of the wells currently being drilled. These applications can wreak havoc on drilling-fluid properties, which must be constantly monitored and adjusted to handle rapidly changing wellbore conditions. Failure to address even one fluid property could quickly lead to a host of difficulties. Even using the incorrect tripping speed during a casing run can bring on expensive headaches. An unnecessary trip in 8,000 ft of water, a fractured formation, lost circulation or stuck pipe cannot only escalate already high drilling costs, but also result in serious safety and environmental problems. M-I's new PRESSPRO RT service provides unprecedented wellsite engineering support with a unique, specifically designed suite of software implemented by a specially trained M-I critical-well analyst. The proprietary programs use surface measurements to calculate downhole pressure and corresponding fluid properties during both drilling and tripping —all in real-time. This is the only technology that not only provides up-to the- second Equivalent Static or Equivalent Circulating Densities (ESDs and ECDs) at any point in the wellbore during drilling, but also delivers surge and swab pressure measurements, Equivalent Dynamic Density (EDD) — while tripping drill pipe and/or setting casing. PRESSPRO RT is one more example of why M-I is the industry's undisputed leader in developing solutions for today's demanding drilling environments.

RHELIANT is the other new technology , It is a non-aqueous system with the flat rheology you can trust to reduce expensive mud losses and protect the well . This system was introduced to BP and we have been working with them on it for almost a year . Basically, The RHELIANT system's flat rheology profile works over a broad range of seafloor, bottom-hole circulating and flow-line temperatures and pressures. it's Features Flat rheological profile over a wide temperature range, Reduced Barite sag potential, Less dilution/maintenance , Improved hole cleaning, cuttings suspension and Reduced pressure spikes.

Operators would Benefit from Reduced fluid and well-construction costs, Improved ECD management , Minimized formation fractures, Reduced environmental costs, greater safety

Optimized drilling efficiency, Significantly reduced whole-mud losses.

Shell and other operators in the Mediterranean are watching for this system's performance and if it proved success with BP, they will also start to using it. This technology is also new in the Egyptian market and it took a year to test it and it will be used within the coming few days.

M-I is the solutions company , we work with all our customers to find solutions that would improve their drilling performance and add value to their operations. New technologies in Egypt and the Middle East are always subjected to prices, not all the operators see the value of new technologies especially when it is newly introduced and prefer to wait till it proves success before making the decision to use it.

How do you position yourself as one of the main service providers in the deep water operations in the upcoming years in Egypt?

We have invested a lot in infra structure that would support deepwater drilling operations, trained our engineers and got them the exposure and experience required, provided our customer with experienced hands that start planning for each well very well in advance and you can look at it from now, numbers will talk, BP , IEOC and Shell are the majors according to the number of concessions they have. And we've been BP's service provider since they started in the deepwater, IEOC we have been working with them from the start as well and to Shell too; 7 years with BP, 3 years with Shell and over 7 years with IEOC in the Med. We have worked with Hess , North Alamein , and a lot more operators , We are looking to continue working with all Operators in Egypt to provide the best in class service.

Characterized by a wide diversity of services, what is the most applicable/demanded service in Egypt?

Drilling Fluids services is the most wanted, Fluids to drilling is like the blood to your body. Egypt today as we speak has over 65 rigs in drilling mode and over 25 in workover. I think drilling fluids services is vital and needed.

Being in the Egyptian market for 35 years, what is different about MI SWACO compared to other companies operating in Egypt? and what is your market share?

Service quality and value added to our customers. Loyality from our employees to MI Swaco is second to none , most of our work force has been with the company for a very long number of years. Besides, we are very good at what we do. All the people working in the sector are known and we select the right people to work with us, M-I consider people the main company's asset and always pays attention to their training and requirements to make sure they go back home safe

During the recession, we didn't let anybody go even though the size of activity has gone down dramatically , we knew this drop is a short term and we maintained our investment in our people. We have used this to our advantage and started sending our engineers to other countries to help out and get more experience and exposure which would surely reflect on our performance here

As for the market share, it should be looked at from two sides: rig counts, and revenue wise. We are the leaders in both and have been the leaders for in the Egyptian market for over 25 years, Thanks to our top quality management commitment and vision. My boss who hired me 20 years ago had a long term vision , investing in people , service quality and infra structure, this investment has positioned us in the lead and has shown our customer the value we could add t o their operations. I can not give definite numbers but The market share to MI, we are the leaders locally and worldwide. We have seen surveys done by third party that proves that we are number one in terms of market share and revenues . on Global basis It is higher than our two main competitors combined.

> **"We are the leaders locally and worldwide. On Global basis our revenues are higher than our two main competitors combined."**

What were your major projects in 2009?

Managing the recession was the big task for MI SWACO in 2009 like all the other companies. It was about how to manage our people and capital effectively.

Egypt rig market was negatively affected in 2009 by about 40% drop in activity which is considered a huge drop because the rig count is related to all the other parts of the upstream operations. Nevertheless, we successfully won again two new big deep water contracts with BP and Shell despite the difficulties we faced.

Concerning the capital crunch in Egypt during the economic crisis, the country was slightly affected compared to the other countries worldwide. The banking system in Egypt proved to be one of the best systems in the world, however, no one can deny that Egypt was not affected by the economic crisis in all industries and even the Suez canal and tourism in Egypt were affected as well as many other fields.

Can you compare your revenues in 2009 to 2008 and 2007?

The best year for MI SWACO worldwide and Egypt was 2008 as our revenue reached $5.5b on global basis, The recession started to affect project in December 2008 as most projects were planned for well in advance.. While in 2009, the value was decreased compared to 2008 worldwide and in Egypt s well. This was hugely affected by the great drop in activity in US and Canada along with the oil prices crunch.

Regarding 2010, I believe it will improve over 2009 by 10 to 15% but it all depends on the deep water in Egypt and worldwide as the operators company are exploring in difficult areas , the easy oil has been discovered

On the light of the minority number of deepwater operators compared to the offshore operators, do you think it is going to be very challenging for you as a service company?

It depends on how many of those service company could accomplish the demands of the operators , provide service quality , have the infrastructure locally and globally to support those projects and improve operator's performance in a safe manner . I think there are only two companies in Egypt which could fulfill these demands in deepwater. There is no deepwater operator who may risk to get a service company which may set them back even for one hour!

Are you considering the expansion of your services fleet in Egypt? How?

Yes, We are as a company. Egypt has got tremendous opportunities for all our business lines offerings. In the past, we were not successful in selling ourselves as one company as we have four different services. And it was about every team working by its own, but now, we are realizing the value of synergies among all business line and the value added to our customers.

MI SWACO is well known for its drilling fluids services, shall there be focus on your other services in Egypt?

We deal with anything related to fluids: drilling fluid, Solids control Equipment, drilling and production waste management , cleaning up tools, completion fluids and Production chemicals. Our competitors are trying to follow our footsteps and began to perform in solids control but they don't have a waste management company. we are the only company which manufacturers our solids control while the other companies are outsourcing. I think it's an advantage for us.

We are not targeting the full control over the market but we want to show the value added awing to managing all what relates to fluids which at the end results in less cost and more value for the operator.

How do you see the cooperation between the Foreign Service companies relying on local agent companies as partners in Egypt?

It depends on the vision of the local services companies whether they consider it long term cooperation or it's only a step for them to learn the know how and then they could provide the service on their own.

From my experience, here in Egypt, I don't think it is a successful strategy. You can look at the foreign service companies which depended on local agents, at first they wanted a local agent to facilitate registration , take care of logistics and distribution in the local market and how it is operating. Then, they build their own knowhow and their own experienced local staffs that they could rely on and could manage their own business. Therefore, I believe that it is better than being in long term cooperation. For MI SWACO, we have no local agent except for the first five years.

What else do you want to stress on?

I want to emphasis that MI pays a great deal of attention to QHSE . the safety of our staff has the top priority. They are our asset and we want them to always go back home safely; this is our number one priority.We also pay a good attention to the environmental regulations and quality regulations.

What are MI SWACO updates or recent news?

Regardless of our expansion and preparation to a new infrastructure, we have a new lab and two new workshop to service our equipments and tools in the free zone in Alexandria. There is a bid news coming up in the next few days that will strengthen our position locally and Globally.

Can we change our mindset?

Though in many countries Integrated Services (IS) is the only way to conduct business, Magdy Wedad, Managing Director of PICO Energy Petroleum Integrated Services, clarifies the values of implementing the IS concept in Egypt

By Ahmed Morsy
Christine Nabil

In 1978, PICO Petroleum Services (PPS) became the first private Egyptian enterprise to offer oilfield services for the local oil and gas market. At that time, this sector was reserved for giant multinational companies. PICO found a niche to blend between high-tech-imported equipment and local know how.

Starting from a small entity of eight pioneers, a workshop in Shukeir offering basic services, it has grown to a have over 2000 employees, and became a full-fledged service provider with presence in five countries.

What has PICO IS achieved so far and how do you evaluate the period from 2006 to 2010?

Before I give highlights of our acchievments during this period, we need to talk about the market and the challenges we all faced recently. During this period, we had a hype phase and then a steep decline when the global crises hit first and then the local cash flow problem we all faced last year.

However, despite these challenges and the fragmerntation, price orientation as opposed to value orientation of the market, we have drilled more than 20 wells offshore in "Integrated Services" manner. The result for our customers were phenomenal. Their average cost for identical wells went from 14 MM to 8 MM with much better well integrity. We are going regional with this concept.

Furthermore, we established a full fledged Drilling Fluid Company (DFT). We gathered the best expertise available and in short time we have been recognized by the major companies. We have been technically qulaified and competed against the giant multinationals in high tempreture high pressure wells. This is a remarkable achievement. Our ambition is beyond regional, rather global.

We added two service lines to our portofolio, Coil Tubing, and testing. We acquired the best equipment avialable in the market, as we believe that the market here deserves much better equipment, despite low pricing sometimes. But we cannot use 20 years old equipment and expect average results. It is waste of our clients money and time. Therefore we went for the best against the common advice we recieved.

As for the international Market, we built the biggest well intervention Liftboat in the world. PICO 4 is a game changer when it comes to offshore well intervention.

What about PICO in 2010?

We are very focused. One more Service Line to be added to our protofolio.

What new segments will you introduce to the market in 2010?

We are keeping this for ourselves at the moment but you will be the first to know. It will be a surprise for many players in the market

You mentioned going regional with IS. Why isn't "IS" focusing on establishing a market share in Egypt first before going regionally?

The mindset in Egypt is price orientated not value driven. We still believe we need 25 contractors to drill one well. 25 contracts. You cannot find one out of the 25 contractors to take responsibility of bad preformance. Other countries embrace the concept of IS. Globally there more and more wells drilled in IS format. There are countries like Mexico, which drill only in IS format or turnkey. We still need the courage to chaneg our mindset. But the overall preformance in drilling in egypt is extrmely below world average and in actual fact very costly, despite the cheap prices.

Did you implement an IS contract with any of your customers including third parties services and made a success?

Several times, I like to recall a dear customer to us Centurion (Dana Gas now). In 2002, we introduced the concept for the first time in Egypt. We believed in the concept, our customer and ourselves,....we went as far as renting the rig, and financing the whole project on our own. Most of the services came from Halliburton & PICO. The first well was much below expectation, above budget and required much time. We incurred major losses and the concept began to be questioned by our Board memebers. The last well was done at 60 % of the cost budget and 40 % of the time. We succeeded and were one of the reasons for the rapid success of centurion in Egypt

Do you see you will be able to succeed with concept of Integrated Service in Egypt?

It is a matter of time. It is a new trend now and it makes perfect sense. We adopted the concept from Mexico and we applied it on a regional basis. And we were the only company, apart from the four major integarted service providers, that was entitled to participate in a Mexican IS tender, 500 wells. We also were included in a tender of 170 wells and were placed third. That's why we established PICO Mexico which mainly relies on the IS concept. Internationally, the concept of 'IS' is alive and in many countries it is the only way to do the business. However, we are still trying to prove the concept here in Egypt.

Do you think that the integrated services sector is facing complications in Egypt?

The concept itself is not well understood in the country yet as there is always a resistance for change, and people are not familiar with it. They need time, the model and the success stories in order to make this shift. As this shift needs some time to become a reality, but i believe it is happening.

We achieved amazing results with our customers. The Government itself established a company to provide IS. We are confident it will take off.

How would you compare the services that you provide today with your competitors?

In all our service lines - the main three elements of any business success are human resources, the technical resources, and the culture, character or attitude to mingle both factors. For equipments, we use only top notch equipments and seek no cost savings as we focus ont the quality of our service.

Regarding the personnel, we have young characters who will become leaders, and can aquire knoweldge easily. The culture is focused on the role of the management to create the right culture to produce productive people in a healthy environment.

Did the financial crisis have any affect on your business?

It did have some effects; one of them is on the scale of PPS services. For PICO IS, it slowed down the business a little bit but it didn't change our path, moreover it didn't change our objectives.

Actually, I can say that it was a very good chance for PICO to purchase equipments with good prices. During the downturn period, we succeeded in establishing our companies and win a few contracts with some JV companies.

Do you see the market is in need of the services you provide?

Egypt is such a dynamic market that is very lucrative and very tempting for the investors by the fact that we have over 70 companies operating. For us, we shall assure quality in how we provide our service as the industry lacked abit the quality it provides during the past period. Also we shall show our customers more commitment through sharing the risk, we provide a successful job, we get our bonus, we don't, we shall get our penalty.

Can you announce a success story that happened along the period?

Look at our preformance in IS and compare to tradional contracting. We have drilled more than 20 wells offshore in "Integrated Services" mode. The result for our customers were phenomenal. Their average cost for identical wells went from 14 MM to 8 MM with much better well integrity. We saved directly more than $21 MM and indirectly much more. Most importantly we did it in almost 60 % of the time compared to historical data. Not a single side track.

Are there any upcoming contracts that you are considering to sign in the coming period?

Yes, but we are focusing on some potentaiol IS contracts which we may sign in a neighbouring arab country. Other contracts are several tender contracts for Mud, testing and Coil Tubing.

What is your investment volume for the last two years and in 2010?

It exceeded $100 miilion in the last two years. As for 2010, we will invest around $35 million on new equipment and regional presence. As I told, we plan to surprise the market here before the year ends.

Innovative technique inhibits post fracturing water productions using relative permeability modifiers

Rami Yassine Country Manager, Production Enhancement
Amr Azzam Account Manager, Business development
Ahmed Ali Technical Prof. Frac/Acid
Halliburton

Hydraulic fracturing has proven to be extremely beneficial for almost all different kinds of reservoirs in the Western Desert of Egypt, with approximately 70% of the production resulting out of this stimulation technique. However, a deterrent to fracturing in many cases has been the proximity of the producing zones to underlying (or overlying) water zones, either located near the water-oil contact or the producing zones adjacent to water bearing zones. In the absence of geological barriers, the fracture height can grow uncontrolled during a fracturing treatment into the water-bearing interval and cause unwanted water production after the job. Excessive water production threatens the economics of a well by shortening its production life as the water production dominates over the hydrocarbons production and traps the reserves behind, increasing disposal and lifting costs, boosting the fines migration, increasing the rate of tubular corrosion and scale build-up. Many times in marginal fields, these can be sufficient reasons not to consider fracturing or its benefits at this time will not be economical.

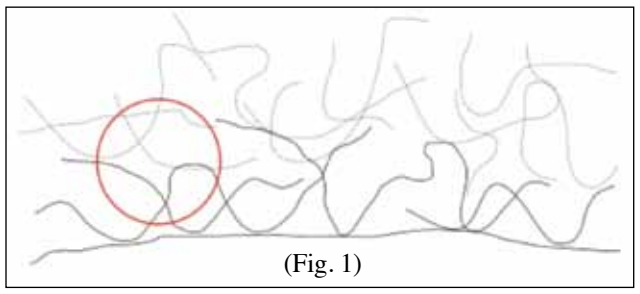
Some reservoirs are not produced without fracturing or producing naturally at uneconomical rate. These kinds of wells are the best candidate for this technique once we encounter water-bearing zones above and below.

Since this technique is incorporating with hydraulic fracturing so it has been named as Conference while fracturing or CWFrac service. The oil industry has used permeability modifiers since the 1970s. They have been primarily used to reduce the water production coming from water-fingering, water-coning, early water breakthrough in water-injection reservoirs, and water coming from high permeability water streaks.

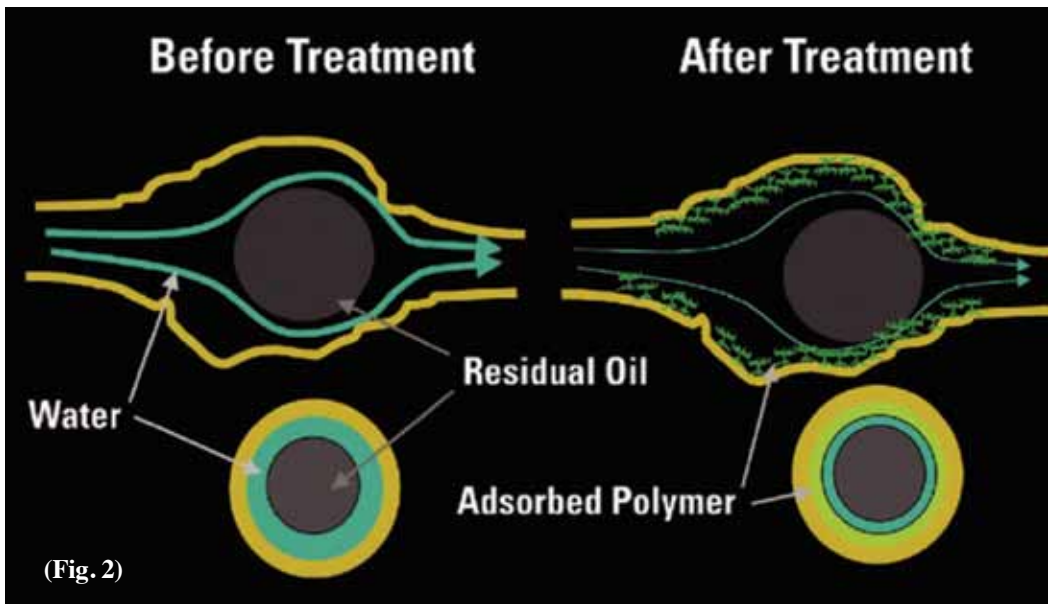
One great advantage of the RPMs in reducing water production is that they only decrease the relative permeability-to-water with little to no effect on the relative permeability-to-hydrocarbon.

The RPM used in this technique has certain advantages over other RPMs that have been introduced previously in the industry. Primarily it is a water-soluble polymer combined with water-insoluble alkyl chains (retaining the overall water solubility), otherwise known as a hydrophobically modified polymer.

A hydrophobic modification is a water-soluble polymer with small groups attached that are not water-soluble. Because only a few of these groups are attached, the polymer is still soluble in water. However, because these groups are hydrophobic, they tend to attract each other and repel water molecules. This could almost be called a crosslinking mechanism, although it is a weak association. This is why a hydrophobically modified polymer has increased solution viscosity. This weak association also leads to increased levels of adsorption (Fig. 1). The bottom layer of lines represents polymer molecules adsorbed onto a rock surface. With a normal polymer, this is all that would result. There is no driving force for more polymers to adsorb onto the first layer. However, with the hydrophobically modified polymer, the hydrophobic associations cause more polymer to adsorb (as demonstrated by the dashed lines in Fig. 1), and this is why higher levels of water-permeability reduction occur with this polymer.



(Fig. 1)



(Fig. 2)

This polymer, once it is pumped into the formations, adheres immediately to the formation grains and begins to work immediately. Incorporating this chemical as padding before the hydraulic-fracturing treatments helps to stimulate marginal reservoirs, where the possibility of crossing water zones near the hydrocarbon zones is very high. This technique yields good results. The mechanism of permeability reduction is based on restriction of the water-flow path in the matrix of rock without harm to effective oil permeability (Fig. 2)

Drilling through service pricing combat

After suffering from the brutal challenge between service companies by competitors' system of lowering prices, fears began to emerge for monopolizing the market through lowering prices

By Sama Ezz El-Din

Though the service companies do not have any hand in producing oil, they are still one of the most important elements of the industry. Their services are delivered through certain rules, usually laid down by the government of the country. Consequently, these services are offered after the government launches a bid round for every concession.

And here comes the dilemma, when the service companies are entitled to be in a tender they challenge, everyone by its own way, to be the winner. And that's what has been happening lately, creating a closed war of prices in the service companies' community.

Even though the service market could be controlled outwardly by the government rules, a company in the market could be the real regulator and adapt the role of 'the puppeteer'. It even controls the market not by being the only provider of this service, but the company that set the price of this service. Lately in our local market, we've been suffering from a similar condition that caused a dark haze like service companies like to call it. In order to get to the bottom of this issue we need first to understand the idea of monopoly as an economic expression; it exists when a specific individual or an enterprise has sufficient control over a particular product or service to determine significantly the terms on which other individuals shall have access to it.

Although a service company could go so low in its prices to compete in the market but still other firms may find it hard.

"We could not compete," said Weatherford, who didn't find a logical explanation to the other competitor's system of lowering prices close to nil. Weatherford as a major International Oil Field Service company had to deal with such case through lowering its prices too, but as they provide tools and technologies from countries like the United States so they can only go to a certain limit! In their eyes they see the other opponent may resort to acquiring the machines from the Far East like China, which will cost nothing compared to other countries. Accordingly, Weatherford will start building plants in the Far East and in El-Ein El-Sukhna that will provide the equipments to cover the high cost problem.

And to look at it, a major company is suffering from losing tenders due to the odd way of lowering the prices by its rival, and this makes you wonder about how the other small service companies are managing.

The puppeteer could be changed from a service to another and from condition to another, but mainly combined by the price issue. The puppeteer usually is the one that offers the lowest price; though it may affect the quality of the service, but companies that need these services may bow to the idea of low quality to take advantage of the low pricing.

"Service quality cannot be compromised, yet up till now there are companies that will jeopardize their operation for the sake of incremental price difference without considering the services or the product quality which could lead to substantial spending extremely exceeding the incremental price difference resulted from poor quality in services," Halliburton told Egypt Oil and Gas.

After the recession, this kind of irregularity, which made lots of companies reduce their prices as a result of the decreased cost of the products worldwide, was expected. Nevertheless, companies like Weatherford could not lower the price of some of its products.

"We did lower our prices after the global market crisis, not all the products because of their high cost, especially the ones we import them from the US. But overall we reduced our prices," Weatherford told Egypt Oil & Gas.

As for Halliburton, "pricing is a key tool to differentiate a product or service from those of the competition, since prices emit signals about product quality and exclusivity. Halliburton do realize that a pricing strategy should be long-term in nature, in that it should pave the way to take more products to market in the future".

To look at it from both sides, we need to think about the reason behind the phenomenon of lowering prices, is it because of the global recession or just a way to expand their market share?

For Halliburton, when considering pricing decisions, their overall goal is to look ahead to stay a step ahead of the competition, laying out the scenarios. "If we do this, the competition will react a certain way. Nonetheless, if the competition doesn't react that way, then we have to have another plan ready. We cannot afford to fall behind our competition."

Moreover, when the government creates a company like the Egyptian Field Development Company (EFDC) that provides the same services through third parties without going through a tendering process, the dilemma will be increased. Thus, the credibility of the government ought to be examined if it's the one who sets the rules in the first place, and then double face it!

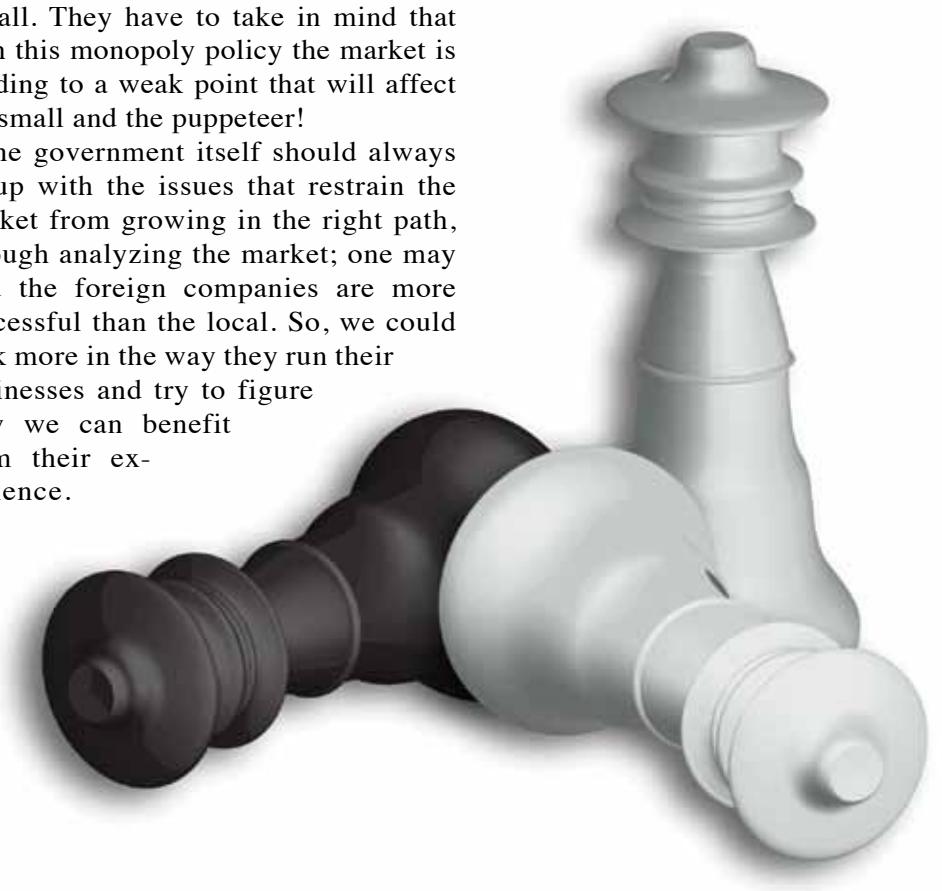
This sheds the light on lacking the needed rules to control the market since the quality of the service is the most affected by the rules' absence. For example, Halliburton sees, "there should be a quality standard evaluation for each service company in order to differentiate between each service company listed in the Egyptian market, which are plenty, according to service quality which should ultimately reflects on the pricing".

While Weatherford suggests having a protocol, "we really need a protocol so as to control prices and the market".

As for small companies, they will need to address the government to issue such protocol, which will lock the prices at a certain point that all will agree on it. It will give the owners of the concessions the freedom of choosing the service company on the basic of which will be more useful for the developing not on the basic of who offers lower price. The companies in the market could coordinate and discuss how they can work side to side without causing the market to fall. They have to take in mind that with this monopoly policy the market is heading to a weak point that will affect the small and the puppeteer!

The government itself should always be up with the issues that restrain the market from growing in the right path, through analyzing the market; one may find the foreign companies are more successful than the local. So, we could look more in the way they run their businesses and try to figure how we can benefit from their experience. Their success might be because of their functional use of technology, so we need to know what our own companies are missing.

All in All, people used to look at the dark side of the moon, especially that the relation within the industry became a known phenomenon, but we still need to look at the bright side too. The idea of having a local company standing side to side with a foreigner one in the market even if this company ignores the rules of its own government sometimes…but yes it makes you proud to know that your own local company is competing the other major companies in your own market!



Southeast Asia Rig Market Challenge

By 25 active operators in Southeast Asia with 46 rigs, the contracting conditions have been challenging due to the collapse in crude oil prices while exploration and production spending have pressured both utilization and day rates in the re-gion

Mostafa Mabrouk
Vice Chairman Assistant for Economic Affairs, Ganoub EL-Wadi Holding Pet Co.

INTRODUCTION

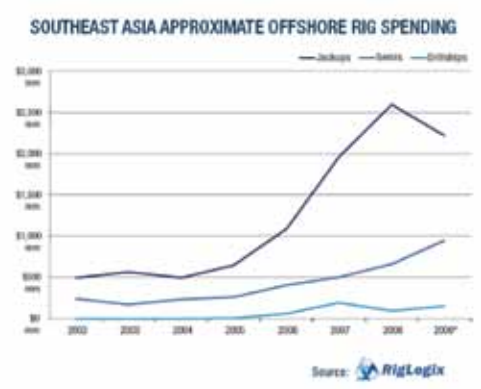
Southeast Asia is rich with hydrocarbon resources. The region is made up of Brunei, Burma, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, Papua New Guinea, Philip-pines, Singapore, Thailand, and Vietnam.

According to Shell, the Indonesia oil industry and what subsequently became Royal Dutch Shell are closely connected. Shell discovered commercial quantities of crude oil in Sumatra just over 100 years ago. Moreover, Shell was the first to bring a drilling rig to the region and the first to discover oil off of Brunei in 1958.

Today there are about 25 operators active in Southeast Asia with 46 rigs (Jack Ups, Semis and Drillships) currently contracted. Forty one of the contracted rigs are drilling, and five are waiting on location or in shipyards. In addition to the rigs that are contracted in the region, there are eight cold stacked units, nine ready stacked units, and one unit in the shipyard without a contract for a total supply of 64 rigs. Thus, total utilization in the region is 72% and ready utilization is 84%. While indications are that Jack-Up Market fundamentals have begun to stabilize.

Southeast Asia only has eight semisubmersibles actively drilling in its waters (one other is contracted but not currently working). Four are off Malaysia, two are off Vietnam, one is off the Philippines, and another is off Myanmar. However, the drilling Jack Up count is significantly higher at 31 (four others are contracted but not currently working). Malaysia has the highest Jack Up count at twelve, followed by Vietnam with seven, Thailand with five, Indonesia with four, Brunei Darussalam with two, and East Timor with one. There are also two Drill ships working in the region. One is off Malaysia and the other is off Vietnam.

In fact, through 2009, operators have already



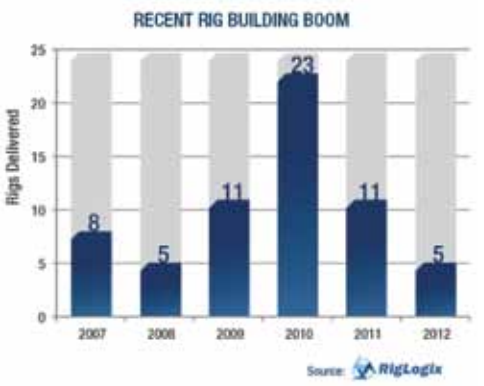
spent approximately U.S. $2.8 billion on offshore rig contracts (Semis, Drill Ships and Jack ups) compared to U.S. $3.4 billion in all of 2008. Assuming similar spending to levels for the rest of the year, rig spending for all of 2009 will be roughly equal to spending in 2008 in the region but is likely to trend lower through 2011 as rigs re-price at lower day rates. Broken down by rig type, the $2.8 billion spent so far in 2009 is comprised of approximately $1.9 billion for Jack Ups, $785 million for Semis and $119.4 million for Drill ships.

RIG CONSTRUCTION BOOM

Hosting shipyards for established rig builders like Keppel, Jurong (a subsidiary of Sembcorp Marine) and PPL, Asia is a hotbed for new rig construction. A total of 38 rigs -- 17 Semisubmersibles, 18Jack Ups, and 3 Drill ships -- are under construction in Southeast Asia, and 69 more are under construction in the Far East. South Korea is building 38 rigs, Singapore

is constructing 34 rigs, China has 31 rigs under construction, and four other newly-built projects are scattered across shipyards in Vietnam, Indone-sia, and Malaysia.

Although the current rig construction cycle has clearly peaked, and the number of rigs under construction is likely to decline over the next several years, the Southeast Asia economy has enjoyed stimulus created by one of the larg-



est rig construction cycles the offshore rig industry has ever seen. The value of the orders for the 38 rigs under con-struction in Southeast Asia today exceeds U.S. $14 billion, a good portion of which will filter into local economies in the form of wages. The chart below shows historical and expected rig deliveries from 2007 - 2012.

RECENTLY AND SOON TO BE DELIVERED RIGS

1-One of the newest Jack Ups in the region is the Petrojack IV, which was delivered in the year (2008). It is the fourth deep-drilling offshore Jack Up rig ordered at Sembcorp Marine's subsidiary Jurong Shipyard by Larsen Oil & Gas' subsidiary PetroJack ASA (PetroJack). It was deployed in the Gulf of Thailand in January 2009 for a five-year char-ter with PTTEP, National Petroleum Exploration and Production Company.

Built based on the group's Pacific Class 375 design, Petrojack IV is designed to drill high-pressure and high-temperature wells of up to 30,000 ft while operating in 375 ft of water. The rig can accommodate 120 men. Petrojack IV is the fourth unit of a series of four Jack-Up Rigs PetroJack ASA originally ordered. The company subsequently sold the first and third units to Maersk Contractors. Its sister rig unit Petrojack II was suc-cessfully delivered to PetroJack in March 2008 and is currently managed by Saipem and operating in Saudi Arabia under a four-year charter with Saudi Aramco.

In addition, there are six new rigs either recently completed or near completion in Southeast Asia.

2-One of these is Queiroz Galvao Perfuracioes' Gold Star semisubmersible, which cost U.S. $270 million to construct and will work for Petrobras of Brazil. Keppel FELS deliv-ered the rig six days ahead of schedule on October 2009, to QGOG. Gold Star is the world's first DSSTM 38 deepwater semisubmersible drilling rig. Currently, under con-struction at Keppel FELS, QGOG's second DSSTM 38 unit, Alpha Star, is scheduled for delivery in mid-2011.

3-"Keppel Shipyard" has also constructed Petro Vietnam Drilling's PV Drilling III jack up, which cost U.S. $220 million to build. The Keppel FELS KFELS B Class Independent Leg Cantilever Jack Up had been under construction since March 5, 2008, and was ready for service at September, 2009. The rig was rated for 400 ft of water and is capa-ble of drilling down to 30,000 ft. The PV Drilling III has already contracted to Viet-SovPetro (Vietnamese Russian Joint Venture Co) off Vietnam. The five -year charter started November, 2009.

4- At a cost of U.S. $ 220 million, Egyptian Drilling Company's unnamed jack up is un-der construction at PPL Shipyard in Singapore. The jack up is a Baker Marine Services BMC Pacific Class 375 Independent Leg Cantilever. It will be capable of working in up to 375 ft of water and drilling down to 30,000 ft. PPL Shipyard started construction on the Jack Up on Sept. 5, 2007, and delivered the rig at December, 2009.

5-"PPL Shipyard" has also constructed for Vantage Drilling company a Topaz Driller jack up. The $198 million jack up was delivered October 31, 2009 and was ready stacked. The Baker Marine Services BMC Marine Pacific Class 375 Independent Leg Cantilever can work in 375 ft of water and drill down to 30,000 ft. Vantage Drilling Com-pany announced that its Topaz Driller has a drilling program in Southeast Asia consist-ing of three wells plus an option well. The anticipated duration of the first three wells is seven months. The contract is to commence in March 2010 following the mobilization to Vietnam from Singapore. Estimated revenues to be generated over the initial term of the contract are approximately $26.2 million.

6- "Drydocks World Graha yard" (Indonesia) has delivered the $160 million Naga 2 jack up to UMW holdings and Standard Drilling (joint venture) on May, 2009. The Naga 2 is capable of working in up to 350 ft of water and drilling down to 30,000 ft. The jack up had been under construction since March 2006 and has been contracted with Malay-sia in last September 2009.

7-Saipem took delivery of its latest newbuild, the Perro Negro 8 jack up, on 31 October 2009. The $154 million jack up is capable of working in up to 350 ft of water and drilling down to 30,000 ft. "Drydocks World Graha" started constructing the rig in October 2006.

SOUTHEAST ASIA CONTRACTING ACTIVITY

-Over the course of 2009, 47 different rigs have worked off Southeast Asia. This number was down from compared 2008, when the total reached about 60. Looking ahead, the number of rigs contracted in 2010 decreases from a high of 39 in January to a low of 24 in December, assuming no extensions or additional contracts are signed. However, Southeast Asia has a high number of jack ups working in the region, which are typically not contracted far in advance.

-Also due off contract soon is "Maersk Drilling company's" Maersk Completer jack up. The jack up has been working for Shell at Iron Duke off Brunei Darussalam since Nov. 16, 2008, at $190,000/day. The contract terminated on 7 November 2009. However, Shell had another contract for the Maersk Completer starting Nov. 8, 2009, through Nov. 7, 2011, at an undisclosed day rate.

-Transocean's Actinia semisubmersible also started a contract earlier November,2009. The rig started drilling off Myanmar for CNOOC on November 2,2009 . The $206,000/day contract is valid through Dec. 1, 2009, when PTTEP will drill off Myanmar at the same dayrate through April 1, 2010. However, PTTEP has an option to extend the contract through May 2010 at the same dayrate.

- The Songa Mercur semisubmersible (owned by Songa Offshore Drilling Ltd.) has signed a contract with Oilex for drilling in the Joint Petroleum Development Area (JPDA) between Timor Leste and Australia. The contract covers a drilling of 2 wells plus 1 op-tional well in the JPDA, with a mobilization and de-mobilization element included into the agreement. Total estimated contract duration for drilling operations is 50 days plus an additional 25 days if the optional well is exercised. The day rate for the two contracts is U.S.$ 280,000 / day .The rig started on 26 November 2009 and contract terminated on 14 January 2010.

-The last rig to come on contract off Southeast Asia the last year was "Atwood Oceanics" Vicksburg jack up. The rig worked for NuCoastal of Thailand starting December 2 through the 1st of March 2010, at $90,000/day.

WEST AQUARIUS

The rig commanding the highest dayrate is Seadrill's West Aquarius. ExxonMobil is drill-ing with the semisubmersible off the Philippines at $529,500/day. The contract com-menced in February 2009 and will terminate on Feb. 28, 2013.

Seadrill took delivery of its newbuild on18 January 2009, just one month before the West Aquarius started its contract with ExxonMobil. The West Aquarius is a sixth gen-eration, high specification, deepwater semisubmersible drilling unit. The rig has a high load carrying capacity, an efficient drilling floor layout with improved safety and working environment measures. West Aquarius can run parallel drilling operations and is de-signed with a dynamic positioning system and a water depth capacity up to 3,000m.

"Be afraid..." - HSE Chair warns the energy industry

'Never allow short-term business pressures to blind you to the real and potentially devastating human and business consequences of neglecting process safety and asset integrity', is the warning the Chair of the Health and Safety Executive gave to an international audience of oil and gas experts.

Judith Hackitt, a chemical engineer, with more than 25 years' experience in industry, spoke about the importance of properly maintaining ageing on and offshore facilities, at an Energy Institute seminar during the International Petroleum Week conference in London.

Drawing on the lessons learned from numerous catastrophes, including the explosion at the BP Texas City refinery in 2005, Judith raised the importance asset integrity and process safety leadership across all sub-sectors of the energy industry. She emphasized that the problems are similar and that solutions should be shared across the whole industry.

Judith Hackitt said:

"If there is one thing we should have learned from Flixborough, Bhopal, Piper Alpha, Buncefield and Texas City, it is that lack of injuries and near misses is no guide whatsoever that all is well in process safety terms. Indicators which point to the absence of a problem - so far - say absolutely nothing about what might be about to happen.

"Short-term business pressures drove BP to cut capital expenditure at its Texas City plant by deferring projects and failing to monitor the subsequent impact of this. This had a dramatic impact on the repair and maintenance program at the site and was a significant factor in the catastrophic explosion in 2005.

"Asset integrity is not simply about securing profitability and operational continuity. This is serious stuff. When we cease to be afraid of the potential for human suffering and devastating business consequences of a major incident in any of the industries represented here today, we lose sight of why it really is so important that we take this matter seriously."

Matrix awarded contract for Utilities HSE Case by Agip KCO Operations in Kazakhstan

Following on from the successful completion of the Power Generation Package (PGP) HSE Case, Matrix Management Systems, the software solutions provider specializing in management systems, and active (electronic) safety cases has announced that it has been awarded a further contract for the preparation of the Utilities HSE Case by AGIP KCO Operations in Kazakhstan.

Under the terms of the 8 month contract Matrix is to prepare the safety case itself and make it available in a simple, easy to understand and graphical way to the workforce using its MAT-Nav Active Safety Case software. The contract will also encompass support, maintenance and the future management of the system.

Wilf Luck, Managing Director of Matrix said, "It's always reassuring when an existing client awards us further work. Especially, when it's for a "Blue-Chip" company like AGIP and for one of the largest and most challenging processing facilities in the world". It shows we must be doing something right!

Ras Laffan tour: No compromise on safety

The first thing that strikes any visitor who enters the Qatargas facilities in the industrial city of Ras Laffan, 80kms north east of Doha is the strict safety measures that surround each such tours.

In one such typical field visit recently organized by Qatargas to its Laffan Refinery and Trains 4 and 5 for a delegation of local and international media, we had a first-hand impression of the strict safety regulations to observe and the instructions to follow.

In fact, the very first entry in our program was a safety briefing that included the 'do's' such as seat belt at all time while on the bus and several 'don'ts' such as carrying lighters and matches among others.

Since our tour included a walk through the plant accompanied by our hosts, Hamad Al Humadi, Onshore Operations Manager and Jacques Letessier, Refinery Asset Manager, both from Qatargas we had also to wear the Personal Protective Equipment, commonly known as PPE: coveralls, hard hat, ear plugs...

Letessier leading the way, we started-off our tour with the Qatargas operated Ras Laffan condensate refinery, the first condensate refinery in Qatar, which is to be formally inaugurated soon.

Production of the refinery, which has a total processing capacity of 146,000 barrels per stream day (BPSD), reached commercial quantities and specifications on September 23 last year for all products.

The new refinery consists of process units including utility systems, distillation units, naphtha and kerosene hydro-treaters, a hydrogen unit and a saturated gas plant and will produce naphtha, kerojet, gasoil and liquefied petroleum gas (LPG).

The refinery's production capacity will be 61,000 bpsd of naphtha, 52,000 bpsd of kerojet, 24,000 bpsd of gasoil and 9,000 bpsd of LPG.

Here the media team was introduced to a variety of processes at the Unit 16 Kero hydro trating and Unit 17 Steam Methane Reformer as well as the Unit 12 Condensate Distillation.

The Laffan Refinery was built in line with the national strategy of Qatar aiming to add value to the condensate produced from the Qatargas and RasGas facilities.

And this facility has been designed as an environmentally friendly and built in line with stringent environment standards, especially a waste water treatment system which enables reuse of treated water in various operation of the refinery.

The trip, on the afternoon took the media group, accompanied by Hamad Al Humadi to the massive Trains 4 and 5, where journalists were able to see the state-of-the-art control room of the facilities in action as well as the intricacy of the QG2 utility, Train 4 Amine Unit, the liquefaction Unit, gas turbines and the Train 5 with similar units.

Qatargas Trains 4 and 5 are huge complexes in Ras Laffan Industrial City. Qatargas-2 Train 4 is owned by Qatar Petroleum (70 percent) and ExxonMobil (30 percent), while Qatargas-2 Train 5 is owned by Qatar Petroleum (65 percent), ExxonMobil (18.3 percent) and Total (16.7 percent). It boasts the best specialists, the best equipment, and the most advanced technology, the result of many years' work.

Qatargas-2 links natural gas production, liquefaction, shipping, and regasification infrastructure into a single fully integrated LNG development and supply initiative. In addition to Trains 4 and 5, the Qatargas-2 joint venture encompasses a fleet of Q-Max and Q-Flex carriers and the newly commissioned South Hook Terminal in Milford Haven, Wales.

Last year Qatargas successfully started production from its latest 7.8 million tones per annum (mtpa) LNG mega trains, each approximately 50 percent larger than any other global liquefaction facility currently operating outside of Qatar. Train 4 started production in May, followed in September by Train 5, raising the Company's production capacity to nearly 26 mtpa. Qatargas' total LNG production is expected to increase to 42 mtpa when two more 7.8 mtpa trains currently under construction, begin production this year.

The production process of liquefied natural gas (LNG) starts with natural gas, being transported to the LNG Plant site as feedstock. After filtration and metering in the feedstock reception facility, the feedstock gas enters the LNG plant and is distributed among the identical liquefaction systems.

Natural gas liquefaction plants designs are in general based on the combination of heat exchange and refrigeration. The LNG is produced in these massive liquefaction plants by cooling natural gas to a temperature of minus 260 degrees F (minus 161 Celsius). At this temperature, natural gas becomes liquid and its volume reduces 600 times. An odorless, colorless, non-corrosive and non-toxic liquid, LNG is stored and transported at a slightly above atmospheric pressure.

Qatar is on track to start up two giant new liquefied natural gas facilities this year that will complete capacity expansion plans in what is already the world's largest LNG exporter. The country aims to boost LNG capacity to 77 million tones per year (tpy) by the end of this year.

Young Professionals, Up To the Challenge

"The Stone Age didn't end because we ran out of stones", it ended because we invented and discovered new ways that were more convenient at that time. These are the first words you'll read in the in the brochure of the first North Africa Young Professionals (YP) workshop. It took place in Cairo on February 14, 2010 along with the 2nd North Africa Technical Conference and Exhibition organized by the Society of Petroleum Engineers (SPE,) and under the sponsorship of Eng. Sameh Fahmy, and the presence of Petroleum producing companies, Service companies and Regulating Authorities from Cameron, Egypt, Oman, Saudi Arabia, Tunisia, UAE and United States.

YPs are categorized by SPE as professionals working in the Oil & Gas industry with less than 10 years experience and less than 35 years old. The workshop that was sponsored by Saudi Aramco and Lufkin Industries aimed to provide the young professionals with essential skills they need in order to succeed in the current unstable market with an eye on the future.

It focused on:

- The linked future of oil renewable energies and the subsequent effects on oil careers
- Leadership skills: how to ignite your creativity and decision making skills; how to manage change to turn challenges into a success; effective time management skills that will balance your work and life responsibilities and how to manage their stresses.

The opening words were by Mr. Nael Sadek from Lufkin Industries, the workshop chairman and Chairman of the Egyptian SPE YP section, followed by a keynote speech by Mr. Bahrouz Fattahi, 2010 SPE President who stressed on how the industry needs the YPs in order to take on the challenges of today and tomorrow. The full day workshop was divided into four sessions where each session was led by two speakers conducting presentations and leading discussion groups. The distinguished speakers were a mix of professional leaders from within the O&G industry such as Saudi Aramco, Taqa Arabia, Shell, Schlumberger, as well as Tohami Transformational Motivation and the French University in Egypt.

Speakers stressed on the importance of diversification in the skills and technical experiences acquired by the YPs. In the Renewable Energy Vs. Oil Prices Challenge session, Dr. Ashraf Al-Tahini from Aramco demonstrated the latest technology applied under research by Aramco to maximize oil recovery while Eng. Khaled Abu Bakr, CEO of Taqa Arabia demonstrated the various energy sources in Egypt and the region showing that we are still long way from relying on alternative energy with big capacity, however, are on the right track.

Mr. Marcel Braas from Shell Egypt and Mr. Ahmed Al-Saleem from Saudi Aramco showed the YPs that change is a dramatic factor in the success of professional and personal life and coached the young professionals on how to look at the world through the eyes of the change, cope with it, manage it, and face the challenge to turn it into a success. The last session was the most important for the future of the industry where today's Young Professionals are the "Leaders of Tomorrow". Everyone is a leader whether at home, at work or within the community. Every team needs a leader to drive, direct and make sure that the ship stays on course until goals are achieved. The leader should set goals and milestones, motivate, reward, recognize and the most important is to be a role model. This was the discussion carried out by Mr. Hichem Mansour, General Manager of Schlumberger Tunisia and Mr. John MacArthur, Operations Manager of Bapetco.

Closing remarks by Nael Sadek concluded that YPs need to improve their skills, be proactive, understand and apply the vision of their organizations and implement new ideas in order to directly impact their business units. YP peers could help by sharing knowledge and experiences where SPE sections support the YP community through a variety of events and workshops.

Energy management in a challenging economy during 2010 NATC

Minister of Petroleum, Eng. Sameh Fahmy assured the importance of cooperating to ensure the growth in the energy market, as the challenges facing this market will affect everyone. Besides, it will only come through securing the supply to meet the local demand of oil and gas.

That came during the opening speech of the North Africa Technical Conference and Exhibition (NATC), organised by the Society of Petroleum Engineers in North Africa and under the title of "Energy Management in a Challenging Economy". The event held under the patronage Eng. Sameh Fahmy. It is considered the second edition of this event. The previous NATC was the first multidisciplinary conference organised by the Society of Petroleum Engineers (SPE) in North Africa. It took place in Morocco under the patronage of H.E Madame Amina Benkhadra, Minister of Energy, Mining, Water and Environment of Morocco.

The opening speech was delivered by Abdullah Ghorab, Chairman of Khalda Petroleum Company (KPC), and in the presence of Dr. Behrooz Fattahi, 2010 President of SPE, and Hassn Akl, NATC Conference Chairman, and the heads of the international oil companies operating in Egypt.

Fahmy's speech included how the challenges in the field of energy on a global scale, and how it require urgent commitment from all the countries. He pointed to Egypt's positive role of bringing the stability to the world of oil through carrying out international conferences and adopting a policy of creating a dialogue between producers and consumers

The minister added that the negative impact of the global financial crisis and economic recession on the oil industry coupled with fluctuations in prices caused a major slowdown in investments and the market stability, especially in the gas markets, and made the nations eager to improve their gas prices to catch up with high levels of oil prices. Thus, he calls to ensure the supply to energy prices.

Fahmy also focused on the challenges facing the energy markets in various turf impose on everyone. He also expressed the importance of cooperation to take the necessary actions to secure energy supplies at a balanced to meet growing demand on oil.

On the other hand, the four-day event covered the major upstream and midstream technical topics such as exploration, deepwater exploration, gas field development, drilling, and production enhancement. Moreover, the conference was a platform to discuss and share the knowledge, experiences, and current technical applications that have relevance in today's economic conditions.

Following the theme Energy Management in a Challenging Economy, NATC was a platform to discuss and share knowledge, experiences, and current technical applications in oil and gas industry that have relevance in today's economic conditions. NATC aimed to be a unique experience for all attending by featuring not only the conference and exhibition but also field trips, a young professionals workshop, and social activities.

Besides the technical sessions, a exhibition was held within the three days of the event with the participation of the major industry players such as Halliburton, Schlumberger, Weatherford, ENI and alot more.

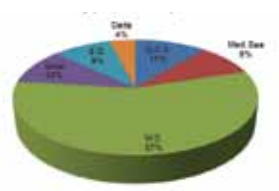
The exhibition drew the attention of alot of visitors and conference delegates which participated the success of the event as whole.

Egypt Statistics

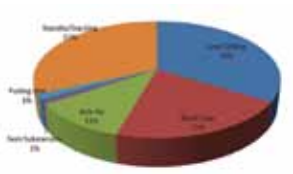
Table 1 Egypt Rig Count per Area -February 2010

Area	RIG COUNT	Total	Percentage of Total Area
Gulf of Suez		11	11%
Offshore	11		
Land			
Mediterranean sea		9	9%
Offshore	9		
Land			
Western Desert		56	57%
Offshore			
Land	56		
Sinai		10	10%
Offshore			
Land	10		
Eastern Desert		9	9%
Offshore			
Land	9		
Delta		4	4%
Offshore			
Land	4		
Total		99	100%

Rigs per Area



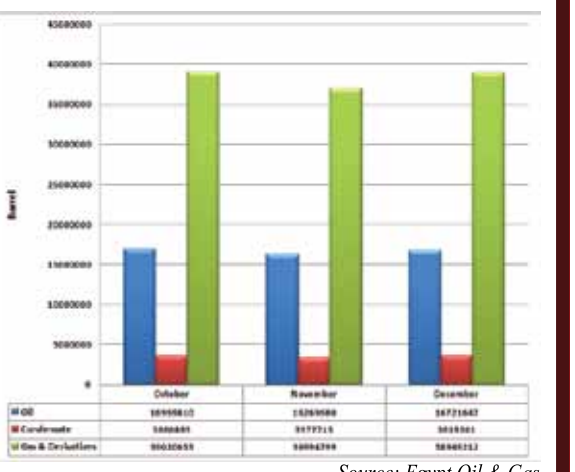
Rigs per Specification



Production - December 2009

	Sold Million cubic feet	Planned Million cubic feet	%	Oil Barrel	Equivalent Gas Barrel	Condensate Barrel	Liquefied Gas Barrel	Liquefied Gas Ton	Total Gas & Derivatives Barrel
Upper Egypt				6526					6526
E.D.				2081918					2081918
Med. Sea	138781	160084	86.69		27756200	1672335	436985	38843	29865520
W.D.	35282	38285	92.16	7180291	7056400	1628459	570743	50733	16435893
Delta	12959	9362	138.42	144206	2591800	200710	89537	7959	3026253
GOS	568	3317	17.12	5019897	113600	58641	149392	13279	5341530
Sinai	510	465	109.68	2288809	102000	59096	82555	7338	2532460
Total	188100	211513	88.93	16721647	37620000	3619241	1329212	118152	59290100

	Actual	Planned	%
Oil	16721647	18917254	88.39
Condensate	3619241	3690147	98.08
Gas & Derivatives	38949212	43433635	89.68



Source: Egypt Oil & Gas

Average Currency Exchange Rate against the Egyptian Pound (January 2010/ February 2010)

US Dollar	Euro	Sterling	Yen (100)
5.441	7.671	8.746	5.944

Stock Market Prices (January 2010/ February 2010)

Company	High	Low
Alexandria Mineral Oils [AMOC.CA]	41.11	37.95
Sidi Kerir Petrochamicals [SKPC.CA]	12.25	10.97

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]
2009 March	1,650	470	**2,472**	**71,925**	30,223	20,114	**3,987**
April	1,650	480	**2,418**	**71,959**	30,344	20,179	**3,833**
May	1,650	480	**2,393**	**71,442**	30,399	20,249	**3,556**
June	1,650	485	**2,384**	**71,654**	30,514	20,511	**3,479**
July	1,650	490	**2,383**	**72,425**	30,857	20,771	**3,761**
August	1,650	495	**2,399**	**72,225**	31,012	20,711	**3,248**
September	1,650	500	**2,390**	**72,512**	30,962	20,616	**3,314**
October	1,650	500	**2,381**	**73,939**	31,012	20,577	**3,594**
Novemer	1,650	495		73,222	30,960	20,542	3,749
2009 11-Month Average	1,650	482	2,412	72,179	30,628	20,396	

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

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC[5]	World
2009 March	E	8,842	22,502	23,396	33,350	**83,601**
April	E	8,879	22,593	23,432	33,498	**83,715**
May	E	9,040	22,696	23,506	33,586	**83,312**
June	E	9,987	23,017	23,821	33,759	**83,611**
July	E	9,007	23,335	24,189	34,170	**84,457**
August	E	9,084	23,288	24,156	34,352	**84,267**
September	E	9,297	23,200	24,059	34,309	**84,619**
October	E	9,279	23,182	24,027	34,381	**85,302**
November	PE	9,354	23,152	23,989	34,326	85,473
2009 11-Month Average	PE	9,024	22,887	23,742	33,870	84,069

[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 3 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
2009 March	1,966	2,723	1,531	1,742	14,918	2,154	4,611	2,218	18,672	3,365	45,938	NA
April	1,847	2,475	1,531	1,710	14,411	2,049	4,226	2,241	18,471	3,329	44,727	NA
May	1,715	2,329	1,490	1,616	13,741	2,062	3,818	2,159	18,176	3,354	**43,301**	NA
June	1,865	2,363	1,545	1,694	14,562	2,142	4,064	2,109	18,762	3,463	45,100	NA
July	1,885	2,408	1,704	1,662	14,696	**2,170**	3,996	2,036	18,771	3,487	**45,157**	NA
August	1,623	2,259	1,407	1,657	13,756	**2,152**	4,172	2,096	18,732	3,458	**44,366**	NA
September	1,931	2,545	1,608	1,675	14,976	**2,179**	4,142	2,066	18,362	**3,402**	**45,128**	NA
October	1,891	2,505	1,618	1,654	14,809	2,198	4,298	2,219	18,727	3,527	45,779	NA
2009 10-Month Average	1,879	2,459	1,554	1,685	14,563	2,155	4,286	2,194	18,651	3,409	45,257	NA

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

Source: EIA

Table 4 International Stock Prices Mid- January 2010 -Mid- February 2010

International Stock	High	Low
Schlumberger [SLB] NYSE [US Dollars]	70.93	62.06
Halliburton [HAL] NYSE [US Dollars]	34.60	28.29
Exxon Mobil [XOM] NYSE [US Dollars]	69.27	64.43
Atwood Oceanics [ATW] NYSE [US Dollars]	38.11	33.02
Weatherford [WFT] NYSE [US Dollars]	18.88	15.01
Shell [RDS.A] NYSE [US Dollars]	61.64	53.77
Apache [APA] NYSE [US Dollars]	108.40	98.40
Baker Hughes [BHI] NYSE [US Dollars]	48.05	44.27
BJ [BJS] NYSE [US Dollars]	21.77	20.27
Lufkin [LUFK] NYSE [US Dollars]	71.84	60.85
Transocean [RIG] NYSE [US Dollars]	93.02	83.38
Transglobe [TGA] NYSE [US Dollars]	3.88	3.88
BP [BP.] LSE Pence Sterling	629.50	560.00
BP [BG.] LSE Pence Sterling	1218.00	1094.00
Dana Gas [Dana] ADSM US Dollars	0.95	0.88
Caltex [CTX] ASX Australian Dollars	10.00	8.95
RWE DWA [RWE AG ST] Deutsche-Borse Euros	68.55	63.40
Lukoil [LKOH] RTS [US Dollars]	59.00	50.63

Source: Egypt Oil & Gas

Table 5 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
2009 March	338	672	374	1,329	402	_	1,850	2,254	2,706	2,975	7,907
April	338	668	379	1,350	405	_	1,851	2,280	2,730	3,002	7,918
May	338	657	382	1,374	426	_	1,934	2,313	2,755	3,035	8,028
June	338	651	363	1,435	428	_	1,901	2,372	2,817	3,094	7,989
July	347	656	366	1,489	429	_	1,884	2,430	2,881	3,162	8,096
August	350	658	373	1,491	432	_	1,896	2,444	2,896	3,188	8,088
September	350	648	364	1,493	436	_	1,941	2,450	2,900	3,195	8,128
October	350	650	361	1,511	436	_	1,953	2,472	2,919	3,218	**8,214**
November	350	656	369	1,513	437	_	1,970	2,476	2,923	3,214	8,285
2009 11-Month Average	345	662	369	1,418	422	_	1,882	2,357	2,808	3,090	8,018

[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

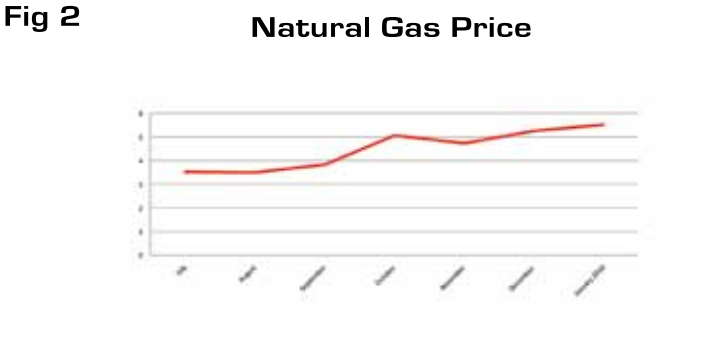
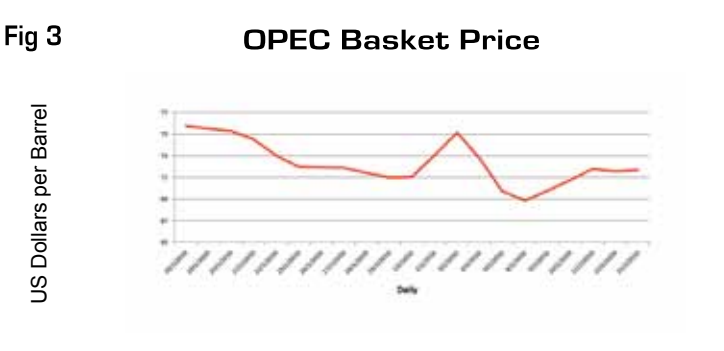


Fig 3



Source: Egypt Oil & Gas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