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Two Sides of the Same Coin

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AFRICA P.08

Rising War rhetoric between the Khartoum and Juba

Bullion Market

GOLD		SILVER	
Price	Percentage	Price	Percentage
1664.88	+1.39%	30.97	+2.79%

Crude Oil

USD/BBL		Price	Percentage
	WTI	100.29	+1.73%
	BRENT	111.44	+3.58%

EGYPT OIL&GAS NEWSPAPER

March 2012 Issue 63 24 Pages www.egyptoil-gas.com

HIGHLIGHT

Petronas Hits Major Gas Discovery Offshore Sarawak

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Layers of Dust

The Antiquated Practices Standing Between the Petroleum Sector and Transparency

The organic development of the Egyptian petroleum sector has long been curbed by the venal administration that has festered over the last decade, and keeping the public at arm's length remains an essential tool in maintaining the status quo and quelling any shot at genuine reform; the public is on a need-to-know basis, and in the eyes of the government, the public seldom does.

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Egypt News

Egyptian Petroleum Delegation Makes headway in Libya

During its visit of last month, The Egyptian petroleum delegation has accomplished fruitful progress in supporting the reconstruction of Libya's dilapidated petroleum industry. The visit comes in the context of promoting the participation of Egyptian petroleum companies in exploration and production in Libya.

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Drilling Alamein Yields Adverse Outcomes

Several recent drilling operations in the Alamein area have resulted in extremely minor output of hydrocarbon, which has prompted several problems among petroleum companies. There is vast financial gap between the cost of drilling in the area and the trivial returns from the already-spudded wells, which has led several companies to relinquish their concessions in the area back to the EGPC.

P.04

Their Safe Exit

Last month dawned as the entire world bore witness to a horrifically vicious massacre, a carefully planned act of mass murder that left 74 dead and hundreds injured, hours of sociopathic killing that traumatized the entire nation. The chosen venue to orchestrate this coldblooded conspiracy was the stadium of the city of Portsaid. A city once known for its beguiling beauty and unique culture, its aesthetically sublime architecture and pleasantly soothing ambiance, its admirable and prideful history and benevolent welcoming people, has now been tainted with the memory of this heinous deed, its people are persecuted, perpetrated as coconspirators to the "third party" that has so far been responsible for every vicious crime that took place over the past year.

Its business as usual down in SCAF's kitchen; A few high-ranking officials from the Ministry of Interior are being scapegoated to attenuate public outrage and ameliorate the parliament's discontent. Field Marshall Tantawy is calling on citizens to take matters into their own hands and find the people responsible, inciting confusion and antagonism; Minister of International Cooperation, Fayza Abu El Naga, is seasoning the dish by cracking down on civil society organizations, portraying them as conspirators and creating international tension, the irony of which is not lost on most of us; rumors of secret meetings with the Brotherhood to come up with a "consensus" president, destroying any chance of a genuinely democratic presidential election, and many other ploys to further bewilder the public are being masterfully played to pave the way for SCAF's safe exit.

Let's not forget the media's pivotal role in this wild dinner party, as factoids and rumors are injected full of steroids and made into fat headlines; A myriad of political talk shows, most of which are hosted by pseudointellectuals, that inflame rather than educate the public.

Alas, the destiny of our nation rests in the hands of a few powerful individuals whose main concern is eluding the culpability of the atrocities that have transpired since our revered revolution. The future of our beloved nation has never seemed so despondent, but all we can do is hope!

Mohamed ElBahrawi
Managing Editor

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Bapteco Offers Tenders to Create a CO^2-Removal Unit

Badr El-Din Petroleum Company (Bapetco) is preparing to offer a series of tenders to acquire the needed equipment to create a carbon dioxide-removal unit. The decision comes in the context of putting several new wells on production, all of which are located in field 'Kareem' in the company's Alam Al-Shawish concession area in the Western Desert.

The company plans for the wells to come online during the second half of 2013 with the aim of boosting natural gas production levels. During the previous fiscal year 2010/2011, Bapetco successfully exceeded its annual development plan by 2% in crude output. In terms of natural gas, the company fulfilled an 8% increase during the same year with a daily production average reaching 37.4 thousand barrels of condensate and 408 million cubic feet of natural gas.

In addition, Bapetco plans on drilling the 'BED3 C-10' well during the current fiscal year, which is expected increase the company's crude oil reserve by 1.7 million barrels.

Bapetco is a joint-venture company between the EGPC and Royal Dutch Shell.

PetroAmir Advances in the Eastern Desert

PetroAmir, a joint venture company between the EGPC and Vegas Oil & Gas, has completed drilling a new developmental well in its Eastern Desert concession.

Using the ST-9 rig, the new AlAMIRSE-10 well was drilled to a vertical depth of 10450 feet with investments averaging $960 thousand.

During December of 2011, the company's production rates of crude oil have reached 184,777 barrels.

PeroSilah Invests $1.805 Million in the Western Desert well

In the context of its 2011/2012 development plan, PetroSilah has completed the drilling of a new well in its Western Desert concession last January.

The new S.KAHK-1X is an oil-producing exploratory well and is currently in stage of evaluation. The company has invested $1.805 million in drilling, utilizing the EDC-53 to reach the depth of 8765 feet.

The newly spudded well, among others that PetroAmir has drilled recently, have yet to be included in the company's production levels, pending the announcement of their commercialization.

PeroSilah is a joint venture company that was founded in May 2010 between the EGPC and Melron International.

Amapetco Expands Drilling Activity in Gulf of Suez

Amapetco has drilled a new developmental well, AMAL-14 ST-2, in the concession it owns in the Gulf of Suez. The operation is in accordance with the company's developmental plan for the 2011-2012 fiscal year.

Sources confirm that investments in the oil-producing well have reached $5.544 million. Drilling was conducted to a depth of 9797 feet via a ZOSER rig.

Amapetco's production of crude oil had reached 125,099 barrels as of January 2012, while production of natural gas for the same month was 73,393 cubic feet.

Amapetco is a joint venture between the EGPC and PICO Amal Petroleum Company.

Fire Kills Five in Suez Oil Refinery

An oil refinery operated by the Suez Petroleum Manufacturing Company in Suez witnessed an explosion on Wednesday 22 February, resulting in a fire which claimed the lives of five workers and injured 16 others.

The initial investigation conducted by the civilian security administration in Suez revealed the cause of the fire to be an explosion in a pump inside the oil separation pools.

Workers in the plant held a demonstration inside the company, accusing the administration of "severe negligence" due to the allegedly terrible state in which the machinery had been left. The workers claimed that the equipment was old and broken down, having not undergone maintenance since it was bought in the 1960s despite workers' requests.

Increase in Kuwait Energy's Footprint in Egypt

Kuwait Energy, one of the few independent petroleum companies operating in the region of the Middle East and North Africa, has concluded the drilling of yet another well in consistence with its 2011/2012 drilling strategy. The well is located in the company's Abu Sennan concession area in the Western Desert.

The new well, dubbed AL JAHRAA-1X, is an exploratory crude-producing well. The company has invested an average of $4.392 million in drilling the well. Using the ZJ-46 rig, the well was drilled to a vertical depth of 12,140 feet. The wells initial production testing has seen a commercial flow rates 835 barrel of oil equivalent per day.

Commenting on this news, Kuwait Energy's Deputy Chairman and Chief Executive Officer Sara Akbar said, "The Abu Sennan concession is highly prospective, and we look forward to continue optimizing its potential through our planned exploration and development activities over the year. The new find is a further contribution to the production capacity of the Egyptian energy sector."

By the end of 2010, Kuwait Energy declared its proven and probable reserves to be 48.8 million barrels of oil equivalent, and daily production rate of 13,000 barrels of oil equivalent per day.

Investing $1.3 Million, PetroShad Hits Dry Hole

In its Western Desert concession area, PetroShahd has completed drilling an exploratory well in the context of its drilling plan for the fiscal year 2011/2012. Seismic studies assessing the wells potential have proved the well dry.

The depth of the newly drilled GHARD-2 well has reached 11,851 feet using the ECDC-7 rig, with total investments averaging $1.322 million.

Egyptian Petroleum Delegation Makes headway in Libya

During its visit of last month, The Egyptian petroleum delegation has accomplished fruitful progress in supporting the reconstruction of Libya's dilapidated petroleum industry. The visit comes in the context of promoting the participation of Egyptian petroleum companies in exploration and production in Libya through the implementation of major projects in Libya and several other neighboring countries, some of which are OPEC members.

The Egyptian delegation was led by the executive director of the Egyptian General Petroleum Company (EGPC), Eng. Hani Dahi, and included Chairmen several Egyptian petroleum companies such as PetroJet, ENNPI, EMC Egypt, Petroment, SinoTharwa and the Egyptian Chinese Drilling Company (ECDC.)

During the visit, the delegation met with Dr. Nuri Berruien, Chairman of Libya's National Oil Corporation (NOC,) and several other senior executives to discuss the various activities that Egypt can assist with in terms of expertise, human resources and technologies.

One of the visit's major highlights is the conclusion of the agreement to reopen the preexisting Libyan branches of ENNPI and PetroJet, and the registration several of Egyptian petroleum companies at the Libyan authorities.

Additionally, the Libyan authorities have provisionally approved allocating quantities of crude oil to serve as a strategic substitute to Kuwaiti oil in exchange for Egypt's provisional acceptance to allow Libya to utilize Egyptian refinery stations located in Alexandria, in the hopes of creating a mutually beneficial relationship between the two nations.

Drilling Alamein Yields Adverse Outcomes

Several recent drilling operations in the Alamein area have resulted in extremely minor output of hydrocarbon, which has prompted several problems among petroleum companies. There is vast financial gap between the cost of drilling in the area, which has reached a shocking $250 million, in comparison to the trivial returns from the already-spudded wells, which has led several companies - most importantly Apache Corporation - to relinquish their concessions in the area back to the EGPC.

Even more shocking are the current efforts by the EGPC to reoffer the same exact area in a new bid round with the total knowledge of the tremendously negative financial losses that would result from drilling this concession area.

Dana Gas Encumbered by Payment Delays

UAE-based Dana Gas is struggling to cope with the payment delays owed from Egypt and Kurdistan. The company's outstanding debt of $1billion Sukuk (Islamic bonds) has significantly strained the company's ability to progress its expansion plans in Egypt.

Moreover, investors are growing anxious as to the company's liquidity problems and the risk of defaulting on the outstanding debt once the bond reaches maturity next October.

A company's spokesman stated, "With reference to its Convertible Sukuk which are not due until 31 October 2012, the Company has been proactive in taking the initiative to mandate advisors including an international financial advisor and will update the market with its plans in good time and due course."

"Dana Gas maintains strong positive relationships with its host Governments, and is progressing constructive discussions with the Egyptian Government covering the delayed payments due from government owned entities owing to the unrest in that country over the past year. In 2011, a total of US$177 million in cash attributable to its share of receivables was collected from Egypt and Kurdistan," the statement added.

On January 8th, Investment Bank Exotix stated, "We have little confidence in Dana's ability to repay the US$920 million sukuk." Therefore, Dana Gas may have to resort to restructuring its bonds if this fiscal quandary is not resolved before the end of next October.

Khalda Increases Investments, Drills Several Wells in Western Desert

Khalda has completed the drilling of several new wells in the fields of its Eastern Desert concession.

The WRZK-68 oil-producing well was drilled using an EDC-65 rig to a depth of 6,822 feet, and has been added to the company's overall production rates following the completion of the assessment process. Investments in the operation reached $579,000.

Another developmental well, the KAHC-158 well, was drilled to a depth of 8,200 feet using the EDC-61 rig, with investments in the amount of $1.993 million for the drilling operation. The well was drilled as part of Khalda's developmental plan for the current fiscal year 2011-2012, and has also been added to the company's overall production following assessment.

The company has also undertaken the drilling of a new water injection well as part of the current fiscal year's developmental plan, labeled AG-93. Investments in the well, which was drilled to a depth of 11,000 feet via the ST-6 rig, reached $3.901 million.

Khalda's production rates for January 2010 were 4,015,842 barrels of crude oil, which rose to 4,601,309 barrels in January 2011, before falling to 4,591,606 for January 2012.

Khalda is a joint-venture company between the EGPC, representing the Egyptian government, and American Apache Corp.

GPC Spuds Dry Hole in the Gulf of Suez

Egypt's state-owned General Petroleum Company (GPC) has concluded drilling operations for a new exploratory well, SB 305-3, in its concession in the Gulf of Suez. The operation was part of the company's plans for the current fiscal year 2011/2012.

In exclusive comments to Egypt Oil & Gas, a source revealed that studies done on the well confirmed the well to be a dry hole, containing insignificant amounts of crude oil.

Investments in the well reached $5.73 million, and drilling was conducted to a depth of 9,210 feet using the KAMOSE rig.

The GPC falls under the authority of the Egyptian Ministry of Petroleum.

Quotes

"Shale gas has become a game-changer, and is a potentially revolutionary source of gas"

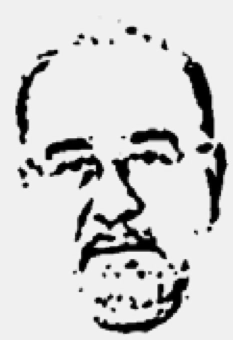
Stated in the NATC Conference Opening Speech

Abdullah Ghorab, Minister of Petroleum

"Risk perception is changing for oil investors. There are new stakeholders for the investor to engage [after Arab Spring], including youth, political parties, new decision-makers, and workers making more demands"

Stated in his speech at the NATC Conference

John Barry, VP Technical and Production MENA, Shell



"The current situation is not sustainable, but the Ministry of Petroleum must make the right decision at the right time"

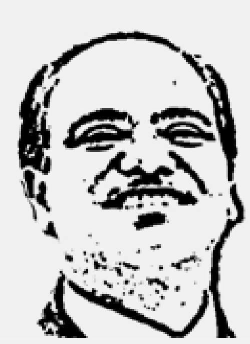
Stated during an NATC Panel Discussion

Sherif Ismail, Chairman, GANOPE

"We would appreciate seeing a quicker response from government entities in their dealings with investors in some cases."

Stated in an exclusive interview with Egypt Oil & Gas

Dirk Warzecha, General Manager, RWE Dea Egypt



"The contracting process is a bit slow, red tape must be decreased and the process must be made more direct and friendlier for investors; this could help in attracting investment"

Stated exclusively to Egypt Oil & Gas

Mohamed Amin Abdullah, Chief Executive Officer, Petronas Egypt

Petrodara Increases Production in Eastern Desert

Oil company Petrodara's production of crude oil increased significantly, revealed the company-specific analytical report compiled by Egypt Oil & Gas. Production indicators for crude oil rose consistently, reaching 376,129 barrels for the month of January 2012.

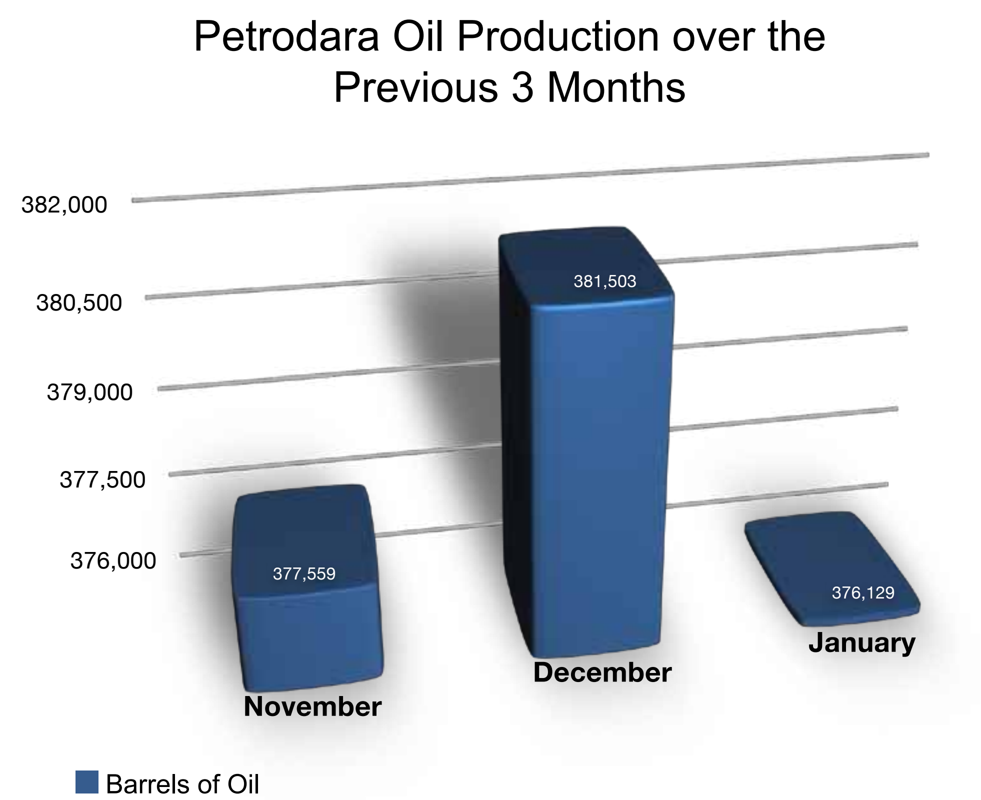
Petrodara has recently completed the drilling of three new oil-producing developmental wells, dubbed ARTA-45, ARTA-49, and E.ARTA-28, all in its Eastern Desert concession as part of the company's developmental plans for the current fiscal year 2011-2012.

The ARTA-45 well was drilled at a depth of 4,083 feet using an EDC-72 rig. Investments in the well reached $640,000.

The ARTA-49 well was drilled at 3,822 feet via an EDC-62 rig. Investments in this well reached $596,000.

The E.ARTA-28 well attracted investments of $718,000. It was drilled at a depth 5,013 feet using an ST-7 rig.

Production from the three wells has not yet been added to the company's overall production numbers. Petrodara's overall crude oil production was at 212,024 barrels in January 2010 and rose to 247,655 barrels in January 2011, before reaching 376,129 barrels in January 2012.



Fluctuations in Petrobel's Production Indicators

Egypt Oil &Gas's detailed report covering oil company Petrobel showed fluctuations in the company's production rates of crude oil and natural gas during the past six months. Production of both resources rose and fell intermittently over the period from the third quarter of 2011 to the first quarter of 2012, as displayed in the graph.

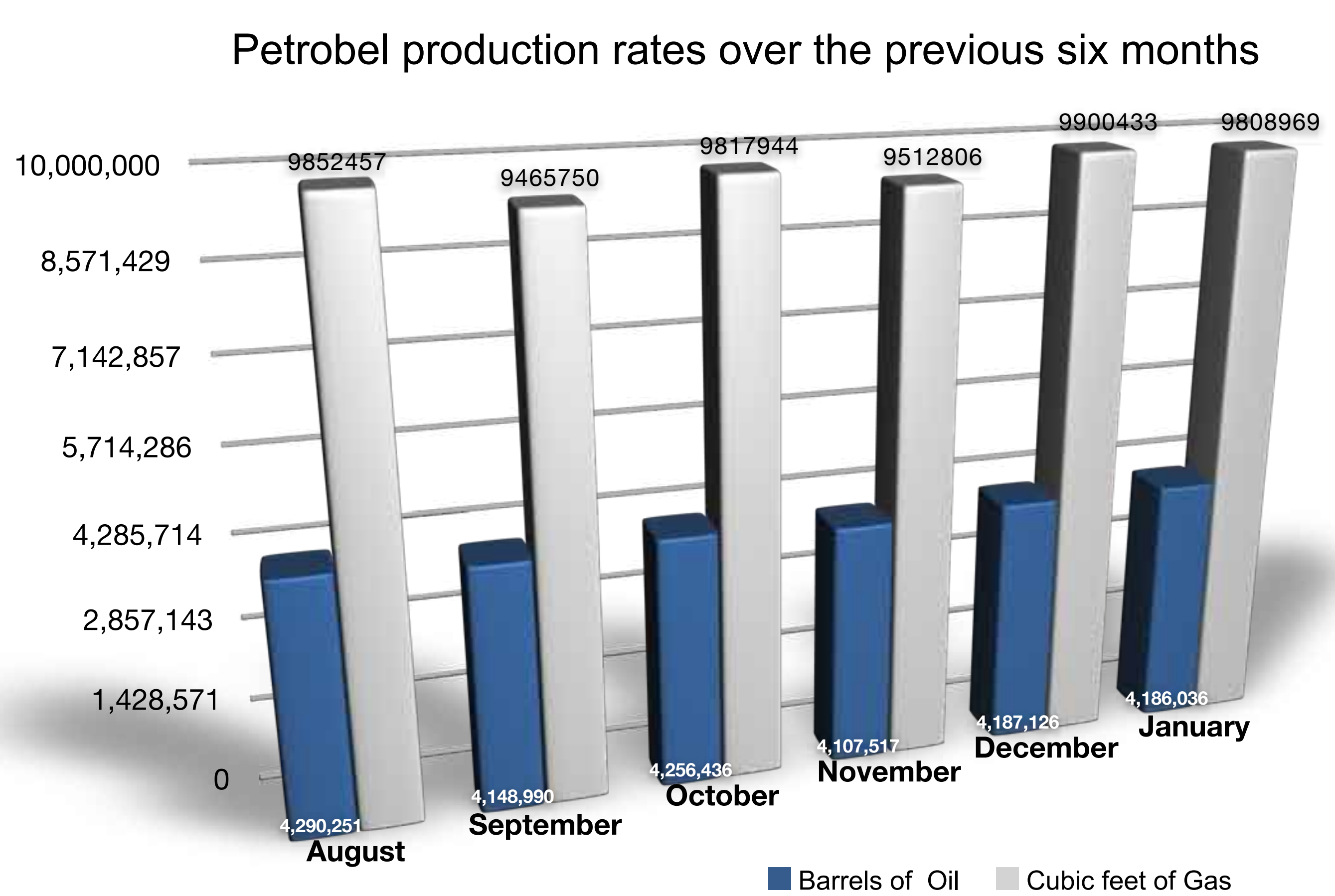
Petrobel has recently completed the drilling of a new developmental well, labeled SETH W.DEEP-1, in its Mediterranean concession, as part of the company's developmental plan for the current fiscal year 2011-2012.

The natural gas well, in which investments have reached $16.409 million, was drilled at a depth of 7,874 cubic feet using a SCARAPE-4 rig, and was subsequently plugged and abandoned.

Petrobel has also undertaken the drilling of the BM-83 water injection well in the company's concession in the Gulf of Suez. The well was drilled at a depth of 10,673 feet via a KS.NED rig, and investments in the operation reached $10.858 million.

The company's production rates were at 4,474,093 barrels of crude oil and 9,451,009 cubic feet of natural gas for the month of January 2011; In January 2012, production rates were at 4,186,036 barrels of crude oil and 9,808,969 cubic feet of natural gas monthly.

Petrobel has seen recent success in the completion of the "Denis" project, which produces 290 million cubic feet, double the figure initially targeted. The company is now looking to assemble a team from its projects, drilling, and storage divisions in order to carry out a deep water technology project.



Guest Column

Enhancing Egyptian Petroleum Output

The petroleum sector is one of most important sectors in Egypt, as it is a significant source of national income. With greater focus and more effort the petroleum sector can be enhanced.

Enhancement should be applied to many areas of the sector: wells, processing plants, pipe infrastructure, drilling, reservoir, and economics.

It is clear that the factor common to all of these aspects is manpower; taking this as a starting point is both logical and mandatory.

Engineers are considered to be the backbone of the petroleum Industry. They are essential to every success. In order to achieve professionalism in engineering, there are many issues that should be highlighted and improvements that should be made.

Planners need to have a strategic vision from the early stages of education and throughout all stages of training.

1. University Education: Egypt has a handful of main sources of petroleum engineering graduates: Suez University, Cairo University, Al-Azhar, and recently private universities. Certain steps must be taken In order to better prepare them for working in the industry.

Courses should be more strongly tied to the industry than they are today, and should include a strong practical element. Field trips should also be part of the plan for every academic year and should be done on a regular basis, and interaction and integration with foreign universities of high global standing should increase.

In addition, software in universities should be better implemented and incorporated into the education process. Concession agreements should also include a clause that feeds part of related costs.

2. Training: One of the most important aspects that must be improved is the training process. This point is the bridge to a establishing a solid basis for the industry. Fortunately, a training budget is traditionally included in concession agreements, but unfortunately, greater spending on this area is needed in many cases.

There are several areas in need of improvement when it comes to the engineer training process. Firstly, Government entities in the petroleum sector (EGPC, EGAS, and GANOPE) should have an accurate, constantly updated database that includes information on every petroleum engineer, highlighting strong and weak points.

Additionally, a committee should be assembled to put a training plan in place, taking into account actual engineers' requirements, and a clear career training calendar should precisely identify who should take what and when.

Overseas training should also not be treated as a merit that is determined by sorting. Finally, technology transfer through many foreign companies like ARAMCO, PETRONAS, etc… should be taken into account.

In this column I have touched upon two points that should not be ignored when dealing with improving engineering as a foundation for boosting the output of Egypt's petroleum sector output.

Safwat El-Rebba
Section Head, Production Department, EGPC

Bapetco Intensifies Drilling Activities in the Western Desert

Bapetco has announced a surge in drilling activities in the Western Desert as part of the company's drilling plan for the current fiscal year 2011/2012. The plan includes two drilling operations for both an exploratory well and a developmental well in the company's Western Desert concession.

The exploratory well is labeled BED 3C10-1, and was drilled to a depth of 11,598 feet via the EDC-51 rig. The well is crude oil-producing, but has yet to be added to the company's overall production. Investments in the well reached $2.804 million.

Sources were able to disclose that the company has also drilled a new developmental well in January of the current year 2012. The well, named BED 1-25, attracted $2.363 million in investments. The crude oil-producing well was drilled using the EDC-52 rig, to a depth of 12,225 feet, and was subsequently added to the company's overall production.

Bapetco was producing 1,191,597 barrels of crude oil per month as of January 2011; the company's production rates for January 2012 were at 1,148,590 barrels per month.

Bapetco is a joint venture between the EGPC, representing the Egyptian government, and Dutch oil giant Shell.

*Correction: Last month's issue contained inaccurate information regarding the names of the concession areas where the wells OBYJS-1X and NEAG JG-17 are located. The first well is located in the Obaiyed Development lease and the latter in North-East Abu Ghardig lease.

Dana Gas Undertakes New Drilling Operations in Delta

Dana Gas's drilling operations have witnessed an increase, as the company has completed the drilling of two exploratory wells as part of the new drilling plan for the current fiscal year 2011/2012. Both of the wells were drilled in the concession owned by Dana Gas in the Delta area.

The company has concluded the drilling of the new IRIS-1 exploratory well in the Delta concession. The well was revealed to be a dry hole. Drilling was conducted to a depth of 5578 cubic feet using an EDC-66 drilling rig. The operation entailed costs of $1.274 million.

The company has also drilled another exploratory well, labeled S.A. ELNAGA-5, in the same Delta concession. The well was drilled at a depth of 3,189 cubic feet using the EDC-66 rig, with $1.47 million worth of investments pooled into the operation. Natural gas is actively being produced from the well, but it has not been added to the company's overall production.

Agiba Drills New Water Injection Well in Western Desert

A water injection well has been added to Agiba's Western Desert portfolio, as the company has completed the drilling of the new NEL NE-43 in its concession in the Western Desert, in the month January 2012. The operation is part of the company's developmental plan for the current fiscal year 2011-2012.

Egypt Oil & Gas has learned that drilling was conducted using the PDI-92 rig to a vertical depth of 6,300 feet.

Agiba's daily production has reached 42,000 barrels, after the company concluded an agreement with its Italian partner securing two additional rigs in order to expand exploratory activity for oil and gas in Egypt.

Agiba Petroleum Company is a joint-venture that includes the EGPC with 50% ,the Italian IEOC Petroleum and Mitsui Oil Exploration Company

Qarun Advances Western Desert Drilling

Qarun Petroleum Company, a joint-venture between the EGPC and the American operator Apache Corporation, is in the process of drilling a new crude-producing exploratory well in its Western Desert concession area. The new 'HEBA-10x' well has reached a vertical depth of 7150 feet using the EDC-63 rig, with investments averaging $1million.

Qarun has concluded the drilling of another crude oil-producing developmental well, labeled HEBA-441, in the company's fields in the Western Desert concession.

Investments in the well, which was drilled to a depth of 6,800 feet using an EDC-63 rig, reached $800,385. Production from the well has not been added to the company's overall production.

Drilling new well comes as the company strives to realize its 2011/2012 development plan, which targets reaching 17 million oil barrels from its various concession areas (Heba, AlFayoum and West Nile.)

Shell Seals Alam El-Shawish Development Project

Royal Dutch Shell has finalized the Alam El Shawish West gas development project, marking the commencement of further development in the fields of Assil and Karam. The new project will be operated by Shell Egypt & Badr El Din Petroleum Company (BAPETCO), of which they own 40% interest, with partners Vegas Oil holding 35% & GDF Suez owning the remaining 25%.

Shell Egypt successfully farmed into the Alam El Shawish West early 2010 after buying some shares from Vegas & GDF Suez.

Commenting on the new project, Shell's Chairman Jeroen Regtien said, "The investment decision in Karam and Assil confirms Shell Egypt strategy of focusing on our heartland and expanding Shell's activities and investments in Egypt. Our plan is to increase our exploration efforts and actively develop our already discovered resources. As operator of the Alam el Shawish West Concession, our technical and operational expertise and established Western Desert infrastructure will allow us to create maximum value for the country and all partners."

"The Western Desert has represented the core of Shell Egypt business for the past three decades. The anticipated total production from Karam and Assil is 200 mmscf/d. We have received strong support from the Egyptian General Petroleum Corporation (EGPC) for our exploration and development activities and look forward to continued cooperation and successful activity in the area", Jeroen added.

Eng. Abdallah Ghorab, Minister of Petroleum and Mineral Resources, stated, "Shell`s investment decision in the Western Desert area asserts the attractiveness of this promising area, unveiling its secrets, as one of the major areas for oil and gas production in Egypt."

"I am very pleased with Shell's investment decision in the Western Desert as it reflects the level of international confidence in Egypt's oil & gas sector," said Eng. Hany Dahy, EGPC CEO.

Rising War rhetoric between the Khartoum and Juba

On the 3rd of last month, Sudanese president Omar al-Bashir emphasized the unprecedented level of tension with the government of South Sudan, highlighting the looming possibility of an armed conflict. During a state-TV interview Bashir commented, “The climate now is closer to a climate of war than one of peace.”

Bashir’s comments followed similar remarks from South Sudanese President Salva Kiir, who has warned that fighting could erupt if Sudan does not meet the South’s terms.

This exchange of war rhetoric comes in the context of the diplomatic gridlock the two neighboring countries have reached over the oil fiasco; Juba’s decision to completely halt petroleum production in response to Khartoum’s confiscation of $815 million worth of Southern-produced oil has resulted in the failure of several rounds diplomatic negotiations; the most recent attempt was undertaken by Ethiopian president Meles Zenawi along with other African leaders in Addis Ababa.

Bashir attributed the failure of Zenawi’s mediation effort to president Kiir’s refusal to sign the framework agreement drafted by the African Union mediation team after initially agreeing to do so. He added that president Kiir presented “incapacitating” demands in Addis Ababa including conceding ownership of Abyei and five other border regions before he can sign the accord.

He further said that officials in Juba are insensitive to the needs of their own people saying that South Sudan is suffering from famine, and that South Sudanese officials are in the habit of syphoning parts of their oil revenues for their private use.

Bashir, who came to power in a bloodless coup in 1989, said that South Sudan officials are hopeful that shutting oil production would strangle his regime economically and cause its collapse, commenting that South Sudan’s “calculations was that if Sudan loses oil for two months then that will be sufficient for toppling the government.”

While 2012 could be a difficult year for the economy, commented Bashir, Sudan’s growing gold exports, cotton and sugar will compensate for the loss of the South’s oil. He also revealed that “friendly” countries are also providing help.

According to one analyst, the Sudanese on both sides of the border are held hostage to an ideological ambience that is rooted in the history of the north-south divide. Overcoming this closure requires both governments to “dispel their propagated mystifications of national identity” and focus on fostering unity that heals the fractured corpus of the dispossessed but cuts through the presumed organic unity of each nation.Edipistium re se maio totatia explibea quate imusam que imusda doluptae si conserectam ut rehenim aut aut laut aborion ex est, conem etur, coneseque sinis pel ipiti offictasit omnia volum aut ressi culparibus autem fugiam, odicit est aute delecatetur?

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Eni Makes Massive Gas Discovery Offshore Mozambique

Italian Petroleum giant Eni SpA has announced the discovery of another huge natural gas prospect offshore Mozambique that is adjacent to its giant Mamba South discovery made in October of last year.

The new discovery adds 212.5 billion cubic meters of gas in place, bringing total resources in the Mamba complex to “850 billion cubic meters”, stated Eni’s press release.

Investments and the future production of gas on a large scale also offer Mozambique the possibility of becoming less dependent on foreign aid, significantly increasing State revenues over the next few years and the government’s independence in setting its own policies, said the Economist Intelligence Unit (EIU) in its latest report on the country.

“The development of gas and other hydrocarbon resources, including oil, will have big implications for Mozambique, producing new substantial sources of revenues for the government and reducing the importance of foreign aid and, as a result, the capacity of donors to put pressure on governance,” commented the British economists.

Texas-based Anadarko Petroleum Corp. reported finding gas off Mozambique earlier last month, although its discovery appears to be smaller. Collectively, there appears to be enough natural gas to sustain construction of a large liquefied-natural-gas terminal capable of exporting the gas to large markets in China, South Korea and Japan.

The people briefed on Eni’s strategy said that it could take five or six years to drill the wells and build the infrastructure needed to export natural gas.

Eni owns a 70% stake of the discovery while, the rest is owned equally by Portugal’s Galp Energia, Korea Gas Corporation and the Mozambique’s National energy company.

Analysts have been anticipating news regarding the Mozambique exploration, which an energy analyst with Barclays Capital recently highlighted as a possible catalyst for Eni’s stock price. Eni produces more oil and gas in Africa than any other company, with major operations in Nigeria, Angola, Algeria and Libya.

Eni

Tullow to Sell its Shares in Ugandan Oilfield

Tullow Oil was given the green light to sell its $2.9 billion stake in its Ugandan oilfield to two multinational players.

The Irish exploration company has agreed to sell two-thirds of its interests in oilfields in Uganda’s Lake Albert Rift Basin for $2.9 billion to French giant Total and Chinese multinational CNOOC.

Tullow has been waiting for Ugandan government approval for the deal, and was originally hoping that this would be forthcoming sometime last year, however, a number of issues delayed it.

The company announced earlier last month that it has signed two new production sharing agreements with the Ugandan authorities, covering the EA-1 and Kanywataba licenses in the Lake Albert Rift Basin.

Commenting on the agreement, Tullow’s CEO, Aidan Heavey, said. “Today’s signing is a vital step towards the development of the Lake Albert Rift Basin and the oil and gas industry in Uganda and east Africa.”

Production from the field, one of the most potentially lucrative fields in Tullow’s African portfolio, is expected to reach 200,000 barrels of oil a-day. Oil is due to start flowing by 2015. Broadly speaking, under the agreement, Tullow will manage production and continue with exploration in the region, as the evidence suggests remaining oil reserves. CNOOC and Total will develop the pipelines and infrastructure needed to get the oil to the market. This will include a refinery that will supply some of Uganda’s own petroleum needs. Completion of the deal and payment of the $2.9 billion due to Tullow will also leave the Irish company debt free.

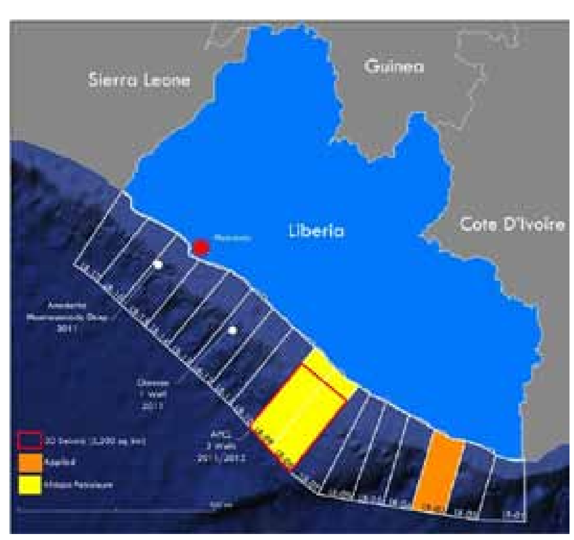
Tullow is an Irish oil and gas, exploration and production group, quoted in London, Dublin and Ghana. It has interests in over 90 exploration and production licenses across 22 countries and focuses on four core areas: Africa, Europe, south Asia and South America.

In Africa, as well as its development opportunities in Uganda, Tullow has production facilities in Ghana, Gabon, Côte d’Ivoire, Mauritania, Congo Brazzaville and Equatorial Guinea. It has exploration interests in Gabon, Côte d’Ivoire, Liberia, Sierra Leone, Mauritania, Senegal, Tanzania, Madagascar, Namibia, Kenya and Ethiopia.

It has been exploring areas in South America that share geological characteristics with the regions in Africa where it has already met some success. Tullow has exploration interests in Guyana, French Guiana and Suriname.

Its European interests are focused on gas in the North Sea where it has significant interests in the Caister-Murdoch system and the Thames area and in the Netherlands, where it has offshore gas production, development and exploration opportunities. In south Asia, Tullow has interests in Bangladesh and Pakistan.

African Petroleum hits Major Oil Offshore Liberia



African Petroleum announced a significant oil discovery in the Narina-1 well, offshore Block LB-09 Liberia.

The company discovered a total of 105 feet of high quality crude in two zones, 69 feet in the Turonian and 36 feet in the Albian.

This discovery confirms the potential of these highly successful West African exploration plays on African Petroleum’s Blocks LB-08 and LB-09, covering 7,135 square kilometers.

Oil was found in good quality reservoirs in a Turonian submarine fan system extending across a prospective area of 250 square kilometers. In addition, excellent quality oil was found in the Albian sands nearby to a very large Albian submarine fan prospect.

In the shallower Campanian, Santonian and Coniacian horizons, 709 feet of water bearing net reservoir sands were encountered. While hydrocarbons were not expected due to absence of a prospect trap, the confirmation of good quality thick reservoir sands significantly reduces the risk in a number of large prospects covering 500 plus square kilometers, which are known to be oil bearing in the region. In the deeper Cenomanian and Albian fields, 300 meters of source rocks were encountered that will be incorporated into the regional geological model in addition to the surrounding open acreage to upgrade the company’s portfolio.

The Narina-1 well was drilled by the Maersk to a total depth of 15,912 feet, in a water depth of 3,750 feet over the course of 43 days.

African Petroleum owns 100% cent of Liberia offshore Blocks LB-08 and LB-09. Commenting on the new discovery, African Petroleum CEO Karl Thompson said, “Narina-1 has identified a potentially large accumulation of light good quality oil at the Turonian level, as well as excellent quality oil in the Albian. Additionally, the well found thick reservoir sands in shallower zones and thick source rocks which together, alongside the discoveries in the Turonian and Albian, has transformed the potential of Blocks LB-08 and LB-09.

African Petroleum has also drilled a cost effective well without incident and established itself among the leading operators in deepwater exploration.

The company is currently focusing on sourcing rigs and is planning an extensive exploration and appraisal program in Liberia during 2012

Libya Resumes Jet Fuel Exportation

Libyan jet fuel is starting to appear more regularly in Europe’s supply chain. The latest cargo from Zawiya, loaded by Japanese oil trader Itochu was reportedly discharged into the Slovenian port of Koper. Libya’s National Oil Corporation (NOC) is aiming to sell three 25,000 metric tons of jet cargoes a month from Zawiya, although bad weather severely hampered January loadings, pushing the Itochu cargo back into early February and causing another to be canceled.

Itochu previously held a term contract with NOC to lift Libyan jet from Ras Lanuf before fighting broke out last March and is well placed to win current ad-hoc spot tenders.

Cyprus-based Eminent Energy has also emerged as a prime lifter of Libyan jet since exports resumed last November. Total loadings so far are put at around 150,000 tons. Zawiya is running close to its 120,000 barrels per day nameplate capacity after the refinery emerged largely unscathed from last year’s civil war. However, the restart of Libya’s 220,000-barrel-per-day main Ras Lanuf refinery is still several months away, with war damage still not fully repaired and crude supplies to the plant not yet restored. Shipping fixtures show Itochu loading the latest 25,000 ton parcel from Zawiya on the product tanker Port Stewart. Market sources say the stem was sold to Lebanese trader BB Energy into Koper, which is linked by rail and road to airports in central, southern and eastern Europe.

Iran Standoff Escalates as EU Approves Oil Embargo

Political tension between Iran and Western nations continued to rise in recent weeks following the European Union's decision, taken towards the end of January, to enforce an embargo on Iranian oil exports.

The embargo will prohibit the importation, purchase, and transportation of all Iranian crude oil and petroleum products, in addition to sanctions targeting financial and banking institutions involved in these activities. The embargo is to be implemented gradually, coming into full effect by July 1st of the current year.

Approximately 20% of Iranian oil exports currently go to EU member states.

The decision came as a result of continued EU concerns regarding Iran's controversial nuclear program and its possible military dimension.

The EU's Foreign Policy chief, Baroness Catherine Ashton, stated that the embargo is meant to persuade Iran to return to the negotiating table, adding that the embargo could be lifted if Iran agreed to resume talks surrounding the controversial program.

The Iranian regime responded with defiance, banning petroleum exports to the UK and France, branding the embargo 'unfair' and claiming it was bound to fail, im addition to reiterating previous threats to shut the Strait of Hormuz Roughly 20% of oil shipped around the world passes through the strategically vital shipping lane. The US has countered these threats, warning that military force would be used to reopen the strait if necessary, with US Defense Secretary Leon Panetta labeling the strait a 'red line'.

US President Barack Obama welcomed the EU's move. "These sanctions demonstrate once more the unity of the international community in addressing the serious threat presented by Iran's nuclear program," Obama said. "We will continue to increase the pressure unless Iran acts to change course and comply with its international obligations."

Meanwhile, the International Monetary Fund (IMF) has cautioned that the EU oil embargo and its disruption of Iranian oil exports could raise global oil prices by as much as 30%.

South Korea Aims to Increase O&G Self-Sufficiency

South Korea's Ministry of Knowledge Economy declared the country's intention to raise self-sufficiency in oil and gas to 20% in 2012, compared to 10.8% in 2011, in order to reinforce energy security. The increase in self-sufficiency is to be achieved by boosting overseas oil and gas production capacity as well as stockpiling larger amounts of strategic reserves of the resources.

The state-run Korean National Oil Company (KNOC) has intensified investments in overseas oil and gas production assets, aiming to push overseas fields' production to 35% of South Korea's total oil and gas imports by 2020.

Production from overseas fields currently accounts for 13.7% of South Korea's oil and gas imports at 465,000 barrels a day of oil equivalent, which is set to increase by a further 170,000 barrels a day this year.

KNOC is in the process of finalizing a contract with the United Arab Emirates, to be signed in March, to develop three undeveloped blocks in the exclusive concession of the Abu Dhabi National Oil Company (ADNOC). The three blocks, two of which are onshore and the third is offshore, are believed to hold approximately 500 million barrels of oil collectively.

In addition, KNOC's exploratory activities for oil and gas are to continue in Iraq and off the coast of Mozambique, as well as in the Ulleung Basin off the eastern coast of South Korea itself.

South Korea is also attempting to meet a target of 141 million barrels of oil in strategic reserves by 2013, to be held at nine different locations throughout the world. 6 million barrels of crude are were exported from ADNOC in 2011, as well as 5.3 million barrels from the State Oil Company of Azerbaijan (SOCAR), in order to achieve this target.

South Korea currently imports 96% of its energy requirements, including all of its oil and gas needs.

Total Reveals Interest in Kurdistan

French oil giant Total SA has expressed interest in directing investment towards the semi-autonomous region of Kurdistan in northern Iraq. Total is one of several oil companies to recently announce a desire to shift focus towards Kurdistan and away from the southern regions of Iraq.

"The interest in Kurdistan is that there are plenty of gas and oil reserves and contractual conditions are better," said Total CEO Cristophe De Margerie at a press conference. He added that contractual conditions for the fourth bidding round in Iraq "do not appear very attractive"

Despite opening up its substantial oil wealth to foreign investment after the end of the second Gulf War, the terms demanded by Baghdad are found to be too steep by many investors.

Kurdistan's oil and gas reserves are not as sizeable as those present in the southern regions of Iraq, but the Kurdistan Regional Government (KRG) offers reportedly more attractive contracts for investors.

The right of the KRG to issue oil contracts pertaining to the region is strongly disputed by the central government of Iraq, which has refused to deal with several oil companies that have won contracts in Kurdistan.

American Oil group Hess and the Chinese giant Sinopec have both been banned from acquiring contracts from the central government of Iraq after agreeing terms with the KRG for investment in Kurdistan.

Last year, ExxonMobil was embroiled in a long-running row with Baghdad, after becoming the first major Western oil company to invest in Kurdistan despite already holding a central government contract. ExxonMobil was subsequently stripped of its role as project leader of a multi-billion dollar water injection project in Iraq.

Iraq has warned Total against signing contracts issued by the KRG. Iraqi Deputy Prime Minister for Energy Hussain Al Shahristani said, "Any such contract has no standing with the Iraqi government, and the companies have no right to work on the Iraqi territories and they bear the full consequences."

Total's expression of interest in Kurdistan came as it revealed a boost in profits for 2011. Despite a drop in output, Total achieved a 12.8 % quarterly increase in profits due to rising oil prices.

Noble Energy Makes Natural Gas Discovery in Israel

US-based Noble Energy recently announced a natural gas discovery in the Levant Basin off the coast of Israel, in the company's Tanin prospect.

The exploratory well through which the discovery was made was drilled to a depth of 18,212 feet, finding approximately 130 feet of gross natural gas pay. The discovered resources are estimated to range from 0.9 to 1.4 trillion cubic feet of natural gas.

The Tanin well is located roughly 13 miles northwest of the Tamar field, 5,100 feet underwater.

The recent Tanin discovery is the latest of six discoveries made by Noble Energy and its partners in the Levant Basin. Four of those discoveries are estimated to have unveiled more than 1 trillion cubic feet of natural gas. Total resource estimates for the Levant Basin are approximately 35 trillion cubic feet of natural gas.

Yemen Strike Ends, Oil Production Resumes

A strike by workers at Yemen's state-run oil firm Petromasila, which started on last February, has ended after more than a week, following an agreement between the striking workers and the government regarding compensation for unpaid severance packages.

The severance packages that were originally owed to the workers by Canadian oil company Nexus, which have failed to renew its production sharing agreement with the government and subsequently exited the Masila 14 block, allegedly failing to compensate workers in the process.

The strike had brought Yemen's oil industry to a virtual standstill, as the Masila oilfield is the largest in the country, in addition to the fact that Yemen's second major source of oil in the Maarib fields had already been shut down due to consecutive explosions in the pipeline.

Nexus and several other oil companies, including French giant Total and Norwegian company DNO, were forced to suspend operations in the country for the duration of the strike, which is estimated to have cost the poorest Arab nation $122.5 million in lost revenue

DNO to Increase Output, Posts Record Profits and Output

Oslo-based oil and gas exploration company DNO ASA has announced plans to substantially boost in exploration and production, following a strong return to profits in 2011 after three consecutive years of losses.

The company is looking to drill 19 wells in 2012, including its assets in Kurdistan and offshore Oman. DNO ASA has already submitted development plans for two blocks in Kurdistan. If drilled, the number would be the highest in the company's 40-year history.

DNO has posted impressive financial and production numbers for 2011. Production rose to 39,966 barrels of oil per day, more than doubling the 17,381 barrels per day production of 2010, while revenues posted also witnessed a monumental increase over the previous year, reaching $362 million compared to 2010's $218 million, a 65% rise.

The company achieved a net income of $114.1 dollars in 2011, in contrast to a net loss of $49.5 million in the year before. Additionally, output for 2011 was more than twice the number reached in 2010.

DNO will spend $174 million in 2012 in order to further boost output, most of those funds directed towards increasing productivity at the company's crucial Tawke oilfield in Kurdistan. DNO Chief Executive Officer Helge Eide expects production to continue increasing in the coming period, reports Bloomberg.

Some analysts view the company's surging return to profits to signal an imminent acquisition of the company, and Genel Energy, a partner of DNO is reported to have recently expressed interest in a merger.

Shares for DNO are currently offered on the Oslo bourse, but the company is aiming to attain a listing in the London Stock Exchange this year. The company's shares are currently trading at $1.81, up from $0.89 six months ago.

Petronas Hits Major Gas Discovery Offshore Sarawak

Malaysian oil veteran Petronas has made two substantial gas discoveries in the fields of Kasawari and NC-8SW, both in Block SK316 offshore Sarawak, Malaysia. The total gas-in-place value of the discoveries is 3.45 trillion standard cubic feet. The discoveries were made via the exploration wells Kasawari-1 and NC8SW-1.

The Kasawari-1 well, according to the national oil and gas company, was drilled in November 2011, finding gas in carbonate reservoirs. The well was drilled to a total depth of 3,196 meters and penetrated approximately 1,000 meters of gas column, which makes it the longest-drilled section of gas column in Malaysia.

According to preliminary assessments conducted early last month, the gas-in-place for the Kasawari field is over five trillion standard cubic feet (TSCF), and recoverable hydrocarbon resource is estimated at over 3 TSCF, ranking among the largest non-associated fields in the country. According to Petronas, a well test produced 29 million standard cubic feet per day.

The NC8SW-1 well, situated roughly 17km south of Kasawari-1, was drilled in September 2011 at a depth of 3,853 meters, also finding gas in carbonate reservoirs, in a 440m gas column. NC8W-1's recoverable resource is estimated to be more than 450 billion standard cubic feet of natural gas.

The NC8SW-1 well also showed preliminary signs of oil play, according to Petronas, necessitating further study in order to determine the true commercial viability of the well.

The drilling of both Kasawari-1 and NC8SW-1, the latest wells to be drilled in their block, and the subsequent gas discoveries, are part of a recent drive by Malaysia to increase domestic exploration in the face of dwindling production.

Petronas and its production-sharing contractors are set to undertake the drilling of 30 exploration wells in 2012 to boost Malaysia's oil and gas productivity.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Samsung Seals Deal with GASCO for Abu Dhabi NGI Plant

South Korean company Samsung Engineering has signed an engineering, procurement, and construction (EPC) contract worth $160 million with Abu Dhabi Gas Industries (GASCO) for a Nitrogen Gas Injection (NGI) plant in Mirfa, UAE.

The plant, to be completed by August 2014, will be capable of pumping 600 million cubic feet of natural gas into the wells at ADCO's Habshan oil field, increasing declining reservoir pressure. This in turn will boost the field's production of natural gas.

The initiative is part of a new Enhanced Oil Recovery (EOR) program for the Habshan field, one of the first projects in the region to use an alternative method of maintaining pressure.

Samsung's bid of $160 million allowed it to edge out 10 other international contractors and secure the deal. The contract is the first to be awarded by GASCO to Samsung.

In statements made at the official ceremony, President and CEO of Samsung Engineering Park Ki-Seok reaffirmed his company's commitment to executing the project in manner satisfactory to GASCO. He added: "We look forward to strengthening our reputation by completing our seventh project with an ADNOC company on time and safely."

GASCO is among 16 subsidiaries of ADNOC, the UAE's national oil company.

KGOC Seals Gas Facilities Deal with Technip

Kuwait Gulf Oil Company (KGOC) has signed an agreement with French oil and gas services company Technip to construct gas facilities in the border town of Khafji, in the neutral zone between Kuwait and Saudi Arabia. The value of the contract was not made public.

The facility will include a natural gas liquids plant as well as a pipeline with the capability of carrying 40 million cubic feet per day of natural gas to Kuwait, according to the contract, which was reportedly penned in January 17.

The deal comes as part of an initiative by the Kuwaiti government to boost national output of natural gas in order to meet rising domestic demand both consumer and industrial. Like other gulf states, Kuwait is in need of furthering gas production in quantity and in security in order to cope with domestic demand.

Kuwait, which currently imports natural gas in order to meet local demand, aims to increase its natural gas production four-fold by 2030 to reach 4 billion standard cubic feet per day. This surge is set to include 500 million standard cubic feet per day from the Dorra field, which is shared by Kuwait and neighboring Saudi Arabia.

KGOC is a unit of the state-owned Kuwait Petroleum Company (KPC). It operates in the neutral zone shared by Kuwait and Saudi Arabia via the Al-Khafji Joint Operations Company, with Aramco Gulf Operations, which is itself a subsidiary of Saudi state-owned company Saudi Aramco.s

Aramco and Pertamina Prepare for a Petrochemicals Refinery Project

Saudi Aramco Asia Co Ltd (SAAC), a subsidiary of Saudi Arabia's state-owned Saudi Aramco, has reached an initial agreement with Indonesia's state energy company PT Pertamina to look into undertaking a joint refining and petrochemicals project in Indonesia.

The two companies signed a memorandum of understanding under which a feasibility study is to be conducted in order to assess jointly building a refinery and petrochemicals project in Tuban, East Java. No date has been disclosed for the completion of the feasibility project.

The proposed refinery would have the capability of processing 300,000 barrels per day of crude oil, which is to be primarily supplied by Aramco as part of a long-term oil products and petrochemicals deal aimed at meeting rising demand in Indonesia and Southeast Asia.

According to Aramco, the project is among many planned refining projects with the goal of boosting the company's global refining capacity in the coming decade to reach 8 million barrels per day. This is part of an Aramco initiative to increase downstream investments in order to balance the company's energy portfolio.

"This memorandum of understanding is a significant first step in extending our already strong relationship with Pertamina, and is also part of Saudi Aramco's strategy to enhance its global downstream presence," said Dawood M. Dawood, Saudi Aramco's vice-president of marketing, supply, and joint venture coordination.

The project is also aimed at reinforcing the energy security of Indonesia, a net importer of oil and one of Asia's biggest petroleum product buyers.

Renewable Energy

$240 in Loans for Egyptian Solar Power Development

On February 16th, The World Bank's Board of Executive Directors approved a loan in the amount of $240 million to Egypt with the aim of further financing the Giza North Power Project. This initiative comes in the context of assisting Egypt meet the growing power demands and ensure reliable, efficient, and sustainable renewable energy supply in the midst of the extant political and economic reform. The project is the most effective way to strengthen the ability of the power sector to tighten the gap in electricity supply and serve more than five million households.

Over the last several years the World Bank has become an important development partner in Egypt's energy sector through financing projects in renewable and natural gas-based conventional technologies. In 2007, the Board approved the Global Environment Facility (GEF) financed-solar-thermal El-Kureimat power project - recently fully commissioned -- which included the first concentrated solar power (CSP) plant in Egypt and one of the first integrated solar-thermal power projects in the world. In 2010, the Board approved the Clean Technology Fund and IBRD-financed Wind Power Development Project to support the development of power transmission infrastructure to connect privately-financed wind power plants in the Gulf of Suez.

China Takes the First Step in Developing Renewable Energy

China has established its first national think tank to conduct research and develop programs and policies on renewable energy.

The China National Renewable Energy Center (CNREC) will be responsible for researching and promoting programs and policies in renewable energy development, as well as drafting industrial standards and carrying out international cooperative programs.

"In China, developing policies and strategies for renewable energy is a complex task because government leaders have to weigh all aspects to ensure that it will benefit the entire country," said Wang Zhongying, director of the new think tank. "That is not to say that our government doesn't have the courage to make policy, rather, a strong think tank can provide solid research to support policymakers."

The center was established by the National Energy Bureau with the support of the National Development and Reform Commission. It is also a result of cooperative efforts between China and Denmark, which established a Renewable Development Program in 2009. Denmark provided both financial and technological support for the center.

Friis Arnen Petersen, Denmark's ambassador to China commented "the opening of CNREC is not only a breakthrough in China's road towards green growth, but also a milestone in cooperation between China and Denmark in renewable energy."


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Crisis of Confidence:

The Tantalizing Hope of Rebuilding Trust

On an unremarkable morning in mid-January of the current year, several cities across Egypt suddenly found themselves half-paralyzed and in a state of anxiety, owing to a sudden gasoline shortage that hit gas stations simultaneously. The shortage gradually developed into a crisis in the days that followed, and the public's anxiety evolved into panic. Immense queues built up and tensions reached boiling point, leading to several violent clashes and a reported death. Meanwhile, the political leadership claimed innocence from the debacle and blamed circumstances and rumors, justifications which several private sector operators contradicted.

By Ahmed Maaty

The crisis has now abated, to the huge relief of Egyptians who can hardly tolerate the addition of another burden to their sizeable list, but the confusion remains. The origin of the crisis remains unclear despite several attempts by officials to explain the situation, and the process of its resolution is no clearer. In fact, one will find a number of statements and quotations from ministers and government representatives dealing with the crisis, but no coherent official story has been communicated openly and deliberately to the public from the moment the crisis emerged until now.

This crisis serves as a perfect demonstration of the lack of transparency evident in the dealings of the Egyptian petroleum sector, particularly government entities; It's a reflection of the fact that transparency and disclosure of information are elements sorely missing from Egyptian governmental policy in general. The secretive, distant nature of Egyptian authorities and their insistence on keeping the public at arm's length is a trait of the country's governmental history, and it has repeatedly brought harm to both the people and the governments that rule them in parental fashion.

Egyptian authorities have traditionally been reactive rather than proactive in their communication with the public. There is little in the way of official channels of communication and no organized, legalized system of mandatory information disclosure. As the fuel crisis broke out, officials came out to clarify, justify and comment on the situation, but there was no official line of communication opened between government and public to handle the crisis, not even in the form of a high-profile press conference dealing clearly and specifically with the problem, its causes and its solution.

Maintaining administration and crisis-management as processes that remain outside the public eye, naturally withers the accountability of officials to the people, but perhaps more dangerously it foments skepticism and lack of trust. The absence of an established link between government and public prompts the public to draw their own conclusions from whatever situation may arise and act accordingly, and to be wary of trusting government explanations.

In the particular case of the fuel crisis, government response in terms of communication was clumsy, doing little to alleviate the situation. Petroleum Minister Abdullah Ghorab claimed that supply was adequate and blamed the crisis on rumors, but the Ministry did not release any numbers or discuss supply in detail in order to substantiate such claims. Minister of International Cooperation Fayza Abul Naga echoed the Minister's claims of rumors and reasserted that the problem was "artificial" and that there was no actual shortage, owing to the fact that most of Egypt's fuel needs are met domestically. She identified the source of the rumors to be the IMF delegation in Egypt at the time, which she believed sparked fears of a cut in subsidies, thus spurring panic-buying.

Mrs. Abul Naga's statement does not take into account that supply can be disrupted even if it is domestic. This was not helped by the fact that the private sector made claims that directly contradicts the official denials of a shortage, a crucial indicator of lack of transparency in the sector.

Managers and workers at petrol stations denied receiving their regular quota of fuel, citing a significant cutback which triggered a hike in prices. This is in direct contradiction of consistent official assurances that supply was unaffected. The Ministry of Petroleum accused the retailers of taking advantage of the situation to increase prices and thus profits. This clash reveals a real breakdown in communication between the private sector retailers and the government, and confirms that at least one of the two sides is not telling the truth.

If indeed supply had deteriorated, the government was required to divulge as much to the public and justify the shortage, particularly since it was causing fuel prices to surge. Denying a situation that was having an actual and significant effect on everyday life is irresponsible to say the least, and only serves to further dilute the already fragile link of trust between the government and the public.

If, on the other hand, the government's accusations of private sector profiteering are true, the problem can still be attributed to the absence of systematized transparency through which both private sector and government can be easily held accountable. The exchange of allegations is itself evidence to the distinct need for a system that transparently regulates all actors, making any anomalies easily identifiable to the authorities, who are by extension responsible for immediately informing the public and so containing the problem.

The official response of shifting blame and citing factors which are essentially uncontrollable as the causes of the problem only served to hamper the government's credibility. This was compounded by promises that the crisis would end in the space of a few days-and claims by state TV that it had indeed ended after the passing of the foretold period-which simply did not materialize. Informing citizens that the crisis was over while they were still suffering its consequences is unarguably detrimental to building trust.

The lack of transparency (and honesty) of Egyptian government entities that is demonstrated by the crisis and is extant in all areas of government for decades creates ripe ground for conspiracy theories and speculation, which can exacerbate problems like the fuel shortage and even develop into wider political crises. The reason claimed by some officials to be behind the rumors of an increase in prices, the IMF delegation mentioned by the Minister of International Cooperation, is itself a cause for rumors and concern due to the traditional lack of transparency.

The IMF delegation, here to negotiate an emergency aid package to Egypt due to the economic bottleneck the country is finding itself in, had reportedly conveyed the international organization's demand that Egypt remove fuel subsidies in order to approve the loan. If it was indeed the rumors originating from this request that led to the crisis, it is due to the ambiguity of the government in openly communicating to the people its intentions, and the relationship of deep distrust of authority that has developed in the Egyptian street.

The public believed that the government would take the sudden, dangerous step requested by the IMF because they simply did not trust those in power to protect their rights or to clearly relay their moves, plans, and intentions.

The reaction to the crisis was merely another showcase of the hopelessly out of date and out of touch approach to crisis management adopted by Egyptian government entities, an approach which destroys credibility and places the public on the problem's side of the equation rather than as a potential element in its resolution.

Even in the wake of the crisis, its inception and its end are still not entirely clear, leaving the public to speculate and leaving the door open for a similar occurrence to transpire in the future. The tanks may be filling up again, but the system remains fundamentally flawed and the risk of sudden breakouts of panic-buying, paranoia, confusion, and profiteering remains alarming.

Two Sides of the Same Coin

Dirk Warzecha
General Manager
RWE Dea Egypt

Nabil Aly Zaky
Chairman
Suez Oil Company

A Hopeful Outlook in Times of Uncertainty

German energy company RWE Dea has been operating in Egypt for 30 years, proving to be a successful partner in the development of the country's hydrocarbon resources. Mr.Dirk Warzecha, General Manager of RWE Dea Egypt, speaks to Egypt Oil & Gas about the opportunities and challenges facing Egypt's Petroleum sector as well as the company's successes and plans for the future.

By Mohamed El-Bahrawi - Ahmed Matty

How long has RWE Dea been operating in Egypt? And what would you consider the company's major achievements to be?

RWE Dea and its predecessor DEMINEX have been investing in Egypt for over 30 years. During this time we have conducted production activities in the Gulf of Suez with our Partner the EGPC and our joint venture SUCO. We have contributed to Egypt's energy supply during this period. In the past 10 years we have been very successful in exploration in Egypt and were able to discover significant volumes of gas in the offshore West Nile Delta area well as in our Disouq concession in the onshore part of the Nile Delta. These newly-discovered volumes will deliver a very important contribution in order to satisfy growing energy demand in Egypt using national resources.

Geographically speaking, which area has been the focus of RWE Dea during the current fiscal year 2011/2012?

Our focus has been the Nile Delta area, following onshore and offshore discoveries in the area. We also invested significantly in GOS production in the 2011 calendar year, bringing production back up and stopping field decline.

Given Egypt's political climate, what are the company's priorities for the new fiscal year 2012/2013?

We will continue our developmental efforts in both parts of the Nile Delta, in our role both as operator and as partner. These efforts have continued and will continue during the ongoing transitional period in Egypt. We believe the development of national resources is of vital importance to Egypt. This fact is a fact, regardless of political or other interests of any parties. For these developmental efforts we were and will remain a strong and reliable partner for many years.

What effects (if any) did the political events of last year have on RWE Dea? Did the company draw contingency plans to deal with similar events in the future?

We didn´t see an immediate effect during last year's revolution, which is due to the fact that production and implementation of projects commenced before such events broke out. During the transitional period we identified two developments: Firstly, we have experienced a slow-down in the process of the granting of necessary permits for some of our projects, for instance. Secondly, we are affected by the general state of the economy, which has led to a delay in payments due from our production sharing contracts.

In light of the current political instability, what are your expectations for the future of the sector in terms of growth and development?

Egypt is going through a transitional period. Even if we face a time of change and uncertainty we should see the opportunities and challenges and go ahead. Egypt has a lot of potential in terms of better usage of hydrocarbon resources and renewable energies, and there is also substantial potential for improving energy efficiency. These need to be and could be enhanced.

In your opinion, what improvements could be made by the government to facilitate the dealings of foreign investors in Egypt?

We would appreciate seeing a quicker response from government entities in their dealings with investors in some cases. For instance, I see a delay in the approval processes for military permits, environmental impact studies, transfer of concession ownerships etc... Also, the government's requirement of the formation of a joint venture operating company is not beneficial to smaller discoveries. If these could be enhanced, it will allow Egypt to bring more oil and gas on stream faster.

Do you think the current contractual regime of Production Sharing Contracts (PSCs) is the most suitable system for Egypt?

The PSC system is a well-established system that mostly works well in Egypt. It grants the foreign investor a percentage of production and secures stability and reliability. In certain cases, such as the West Nile Delta concession, it is not the most appropriate contractual system due to the sheer size and scale of investment, the technical complexities and consequential project management challenges of the development and production project, in addition to the urgent need to develop these deep water offshore discoveries in an ambitious timeframe at a relatively cheap price.

> **"The PSC system is a well-established system that mostly works well in Egypt. It grants the foreign investor a percentage of production and secures stability and reliability"**

Petroleum Minister Abdallah Ghorab went on record declaring his vision to consolidate upstream dealings back under the EGPC. If such vision were to be implemented, what effect (if any) would it have on foreign investments and the Egyptian petroleum sector as a whole?

Both EGPC and EGAS have acted as reliable partners to us for many years. We only talk with one partner in one concession. We have a case where neighboring discoveries are treated by different entities and this makes the workflow more complicated than it needs to be. I guess the current system is more complicated especially for new investors in Egypt.

Some experts in the petroleum field have raised the issue of transparency and its absence from government entities when dealing with investors; do you think this represents a legitimate concern for foreign investors?

No, I do not think so. We are very transparent with our partners and our partners are very transparent with us.

In contrast to other countries, where do you rank Egypt in terms of attractiveness for foreign investors?

Although Egypt has a long upstream history, it has still a lot of potential for hydrocarbons and will be attractive to investors for this reason. Egypt has proven in the past to be a reliable partner, and is merely going through a transitional period. Therefore, I think that Egypt is ranks quite high in competition with other states and will continue to do so.

What effects do you think the new Islamist-dominated parliament will have on the petroleum sector?

The petroleum sector supplies Egypt with local resources for the growing energy demand but also offers a source of state revenue and exports. This is important to the country. In this regard, political parties have to offer an economic and social vision to Egypt. We are looking forward to further contribute to the development of the petroleum sector and to engage in projects for Egyptian society.

We understand that RWE Dea has been quite active in the field of Corporate Social Responsibility, what are the major projects RWE Dea has been working on during the past year? And what are some of the recognizable accomplishments of these projects?

RWE Dea sees it as part of its responsibility to assist in supporting and developing the communities of our concession areas. In the past we have had a number of remarkable CSR activities in renovation of school buildings and health units. We have also granted scholarships to two students from the Faculty of Engineering, Petroleum Section – Cairo University. The company is about to sign a Memorandum of Understanding with the Adult Education Agency (AEA) to sponsor books for 9000 students with health messages for the illiterate in the Kafr el Sheikh and Sohag governorates. In addition, RWE Dea has supported several cultural projects in the country like Beethoven on the Nile.

The Mediterranean: A Treasure Trove of Natural Gas for Egypt

The Suez Oil Company (SUCO) is regarded as one of the major players in the Egyptian petroleum sector when it comes to both oil and natural gas. A joint-venture company between the Egyptian General Petroleum Company (EGPC) and German giant RWE DEA, SUCO has been a key petroleum operator in Egypt. Through its development strategies and emphasis on Quality, Health, Safety and Environment (QHSE), SUCO has cleverly placed itself among the most environment-friendly operators in the country.

By Shady Ahmed Mohamed El-Bahrawi

SUCO owns three major fields, two of which are located in the Gulf of Suez basin (East Ras Budran and Ras Fanar blocks.) In addition, the company has added the block of North Idku, located in the Mediterranean, to its portfolio, and plans to acquire the block of North Desouq, located in the town of Desouq in the city of Kafr Al-Sehikh.

Eng. Nabil Aly Zaky, Chairman of SUCO talks to Egypt Oil & Gas about the company's achievements and discusses some of sector's crippling problems.

How long has SUCO been operating in Egypt and what are the company's major achievements thus far?

SUCO conducted its first string of drilling operations in Egypt 32 years ago. Throughout this period, the company has added several new concessions to its portfolio in the Sinai Peninsula and the Gulf of Suez.

What are the company's most significant projects for the coming period?

Our most recent project was the acquisition of the North Idku concession, located in the Mediterranean, as well as our newest concession in North Desouq; these areas have yielded a fruitful outcome in terms of natural gas discoveries, which has prompted SUCO to invest further in these locations. The company is currently in the process of constructing a pipeline network in Desouq with the aim of connecting it to the National Natural Gas Network. The project is expected to become operational by May 2013.

Due to your vast experience in the field of E&P of natural gas acquired during your long years at EGAS, do you think exploration of natural gas merits more focus than oil?

In my opinion, E&P of both oil and gas are of equal importance. Assessing the potential of increasing exploration and production operations in any new location is instrumental to ensuring rewarding economic gains, the primary driving force for foreign investment.

In previous years, exploration and development of natural gas was not a priority; foreign companies would abandon gas fields after concluding drilling operations, as the government did not offer cost-effective production and development policies for investors. That dynamic changed as the government started facilitating the process for investors by giving them the freedom to sell their shares in both domestic and international markets. As a result, international companies started pumping massive investments into the exploration, production and development of Egyptian natural gas.

In your opinion, is the current contractual regime of Production Sharing Contracts (PSCs) the most suitable system for Egypt?

The system of Production Sharing Contracts has been in place for many years and has proven reliable and effective. However, the development of contractual regimes in mature international markets, especially in the wake of the 2008 global financial crisis, prompted several countries such as Turkey and Germany to adopt new contractual systems. In Egypt, the cost of offshore drilling greatly exceeds that of onshore drilling, a fact that led to the adoption of new systems allowing for the successful formulation of mutually profitable deals for both the government and the IOCs.

What is the company's extant production rate?

Currently, SUCO produces 20,000 barrels oil and gas equivalent a day, in addition to separating the various gases that accompany the extraction of crude in order to produce condensate through treatment. SUCO is keen to maintain its production levels for the fiscal year 2011/2012.

What is the company's drilling plan for the current fiscal year?

The company plans on drilling several wells, both onshore and offshore, in its Sinai concession. Among these are the offshore Ras Budran B12 and Ras Budran B13 wells, in addition to a forthcoming well to be drilled in the Ras Budran C Block.

So far, we've invested $30 million out of $97 million designated for drilling operations in this fiscal year's budget, fulfilling 60% of our plan. In the 2010/2011 fiscal year, we successfully met 99% of the targets set in the company's drilling strategy, which was set by SUCO and its partners the EGPC and RWE DEA.

Operating in the Gulf of Suez and Sinai has become extremely challenging lately due to the security problems the country is facing. What is your company's strategy in dealing with this issue?

We've been cooperating with Sinai's Bedouin tribes and we've met with tribe leaders in order to ensure the security of our operations. We've concluded several agreements with Bedouin leaders and hired men from their tribes to provide security for our locations in Sinai as well as to ensure the safety of our company's transportation vehicles.

We understand that SUCO has undertaken several projects to enhance the expertise of its human resources? Can you elaborate on this initiative?

SUCO is currently implementing a project in conjunction with Oil & Gas Skills (OGS) to train our company's engineers and provide simulation programs aimed at preparing them for real-life scenarios. We also fund their participation in international petroleum workshops designed for the exchange of expertise in a variety of fields within the petroleum industry.

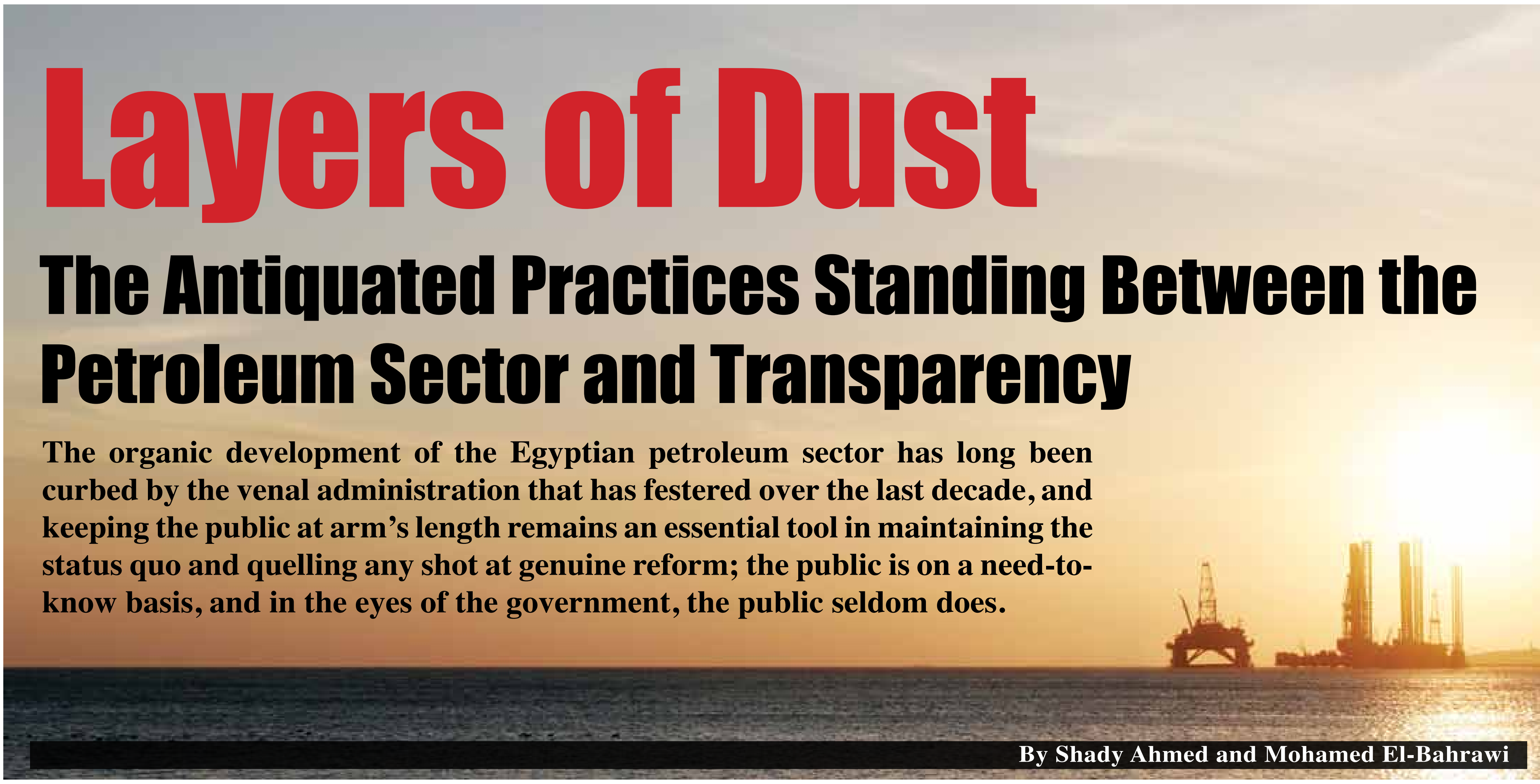
This year, the company has also started a development plan incorporating the renowned SAP business model in cooperation with our foreign partner. The purpose of the program is to facilitate technical, financial and managerial dealings with our partners. SAP has yielded wide success with other companies such as Bapetco, which prompted us to undertake the program.

What is your take on the current LNG crisis?

The problem should not be blamed in its entirety on the Ministry of Petroleum, since there are several other factors contributing to the crisis. Contrary to popular belief, the dramatic surge in the price of LNG cylinders is a problem of distribution more than it is one of production. I am not saying that Egyptian LNG production is sufficient to meet domestic demand, as the government imports a significant portion of natural gas from neighboring countires. I am rather alluding to the lack of a coordinated delivery strategy, which complicates the matter further.

The petroleum ministry has confirmed allocating a sizeable budget for the importation and distribution that should be implemented in the very near future.

> "We've been co-operating with Sinai's Bedouin tribes and we've met with tribe leaders in order to ensure the security of our operations"



Layers of Dust

The Antiquated Practices Standing Between the Petroleum Sector and Transparency

The organic development of the Egyptian petroleum sector has long been curbed by the venal administration that has festered over the last decade, and keeping the public at arm's length remains an essential tool in maintaining the status quo and quelling any shot at genuine reform; the public is on a need-to-know basis, and in the eyes of the government, the public seldom does.

By Shady Ahmed and Mohamed El-Bahrawi

"We need to have more transparency in the petroleum sector," were the hopeful words of Eng. Sherif Ismail, CEO of the state-owned Ganoub El-Wady Holding Petroleum Company, stated during his speech at the North Africa Technical Conference of last month. The reiteration of these familiar words by a high-ranking ministry official raises the question of how transparent the petroleum sector really is.

Calling for completely transparent governance is simply unrealistic, but there is certainly room for improvement. Therefore, identifying which aspects of the sector are in dire need of transparency is key in taking the first steps towards constructive reform.

Where do we need transparency the most?

The lack of a coherent problem-solving strategy in the Egyptian petroleum sector is the main stem from which most complications grow.

The rapidly growing LNG crisis that has currently gripped the nation is a perfect example to the lack of problem-solving strategy. The petroleum ministry has yet to identify the source of the shortage. Instead, conflicting statements are issued from various government officials creating fear, confusion and panic-buying.

Eng. Hani Dahi, head of the EGPC, is blaming black-market operations for inciting an artificial crisis and expects the problem to fade away as the winter does, claiming that "demand reaches its peak during the last month of winter"; The Minister of Supply and Domestic Trade is condemning the Ministry of Petroleum for not providing the needed quota; The latter is putting the blame on the Ministry of Finance for not allocating money in the budget for importing the amounts needed to compensate for the shortage. Every minister is passing the hot potato to avoid facing the music while the public hangs by a thread.

> "Weaknesses in the recording of FDI inflows in the oil and gas sector have also led to under-recording, possibly by as much as $3 billion per annum"

Government procurement is another major area in which significant lack of transparency is evident. In the 2007 National Trade Estimate Report on Foreign Trade Barriers, a report published annually by the Office of the United States Trade Representative (USTR), several improvements were reported on the part of Egypt: US goods trade surplus, US goods exports, and US imports from Egypt all significantly increased. However, a point of contention was found in government procurement.

It is widely known that bids and tenders regulate almost all sector activities. In 1998 a law regulating government procurement was passed, stipulating that technical factors, and not just price,will be taken into consideration in awarding any contract. And while the law grants certain rights to investors such as, "a speedy return of their bid bonds and an explanation as to why a competing investor was awarded the bid over another," the USTR report concluded that such explanation is rarely straightforward and is often misleading rather than informative. This unfortunate and counter-productive practice remains in use until today. And the failure to provide investors with clear guidelines to winning bid rounds is a major deterrent to their much-needed investments.

> "Due to the deficiencies in the recording of oil and gas exports, export revenues appear to have been underestimated by more than $1 billion per annum in recent years"

Another source of substantial anxiety for foreign investors is the issue of outstanding debts. Their concern, however, is not the actual debt, but rather the apparent lack of a transparent strategy that envisions the settlement of such debt. In the absence of a clear vision, investors naturally become more reluctant to hold a bigger stake in Egypt's economy.

The pricing scheme of natural gas in the country is another critical aspect in need of more transparency. Professor Robert Mabro, a former director of the Oxford Institute for Energy Studies spoke at a Distinguished Lecture Series regarding some of the crucial issues found in the Egyptian oil and gas industry.

In his speech Mabro states, "there are EGPC supply contracts to Union Fenosa and Jordan. The prices are not published. It is said that the price to Union Fenosa is low. The highest number mentioned by observers of the Egyptian gas scene is $0.90 MBtu. Lower numbers, such as $0.65 MBtu are sometimes quoted. This is the price at the point of entry to the LNG plant. If these numbers are gross underestimates, EGPC/EGAS would be wise to publish the true figures in order to set the record straight."

What Mabro is emphasizing is the problem of a lack of transparency on a much grander level of international deals. In essence, the Union Fenosa deal might involve the sale of gas at a lower cost than its domestic replacement cost. In fact, among the suggestions given by Mabro in his speech is the reopening and re-negotiating of deals that might be unjustly costing the Egyptian government and thus

> **"Transparency can only be realized when the highest ranks in the government decide to abandon the old way of doing business and allow room for genuine reform to develop"**

the Egyptian people. However, the lack of transparency means there is little pressure on the government to ensure maximum benefit for the public from these deals.

How disastrous can lack of transparency really be?

In 2005, the International Monetary Fund released a Selected Issues paper on Egypt entitled Arab Republic of Egypt: Selected Issues. The fourth part of the paper discusses the oil and gas sector in the balance of payments. The introduction of this section lists two reasons as to why the sector plays a more prominent role in the country's economy than what is depicted in the balance of payments data.

The first reason is that "crude oil exports are not recorded accurately. As a result, the oil trade balance consistently appears weaker than it should be." This inaccuracy has misleadingly presented Egypt as a net importer of oil from 1998/99-2001/02. The second reason given to the distortion in the role of oil and gas in the balance of payments data is that "foreign direct investment in the oil and gas sector is also not recorded accurately."

While an obvious lack of transparency is discussed in the paper, the problem is not presented as corruption, but rather the utilization of an outdated and inept mechanism of record-keeping. The paper states that the source of data used for the compilation of the country's balance of payments is the International Transactions Reporting System (ITRS). The use of this system underestimates the inflows of Foreign Direct Investment (FDI), negates the sales of oil and petroleum products abroad by foreign companies, distorts financial transactions between the Egyptian General Petroleum Corporation (EGPC) and its foreign partners, and does not separate exports of gas in the official balance of payments.

The paper concludes, "due to the deficiencies in the recording of oil and gas exports, export revenues appear to have been underestimated by more than $1 billion per annum in recent years. Weaknesses in the recording of FDI inflows in the oil and gas sector have also led to under-recording, possibly by as much as $3 billion per annum."

Almost a year ago Egypt Oil & Gas hosted a roundtable discussion in the presence of Eng. Said Zaki, then Marketing Manager of Weatherford, Eng. Hazem El-Shafie, Country Manager of MI SWACO at the time, Eng. Magdy Wedad, Managing Director of PICO Energy Petroleum Integrated Services and Eng. Ahmed Anwar, then Assistant Deputy CEO for Drilling in EGPC. When asked to name the first decision they would make if they were appointed Minister of Petroleum, they all pointed to the issue of increasing transparency as the first order of business, except of course for Eng. Ahmed Anwar, whose diplomatic answer neither confirmed nor denied the existence of a transparency problem.

Tackling a systemic problem such as transparency will always remain a challenge. Petroleum sector or otherwise, the issue is deeply rooted in the business culture of Egyptian society. Eradicating such an impediment, therefore, can only be achieved if approached in a top-to-bottom manner. In other words, it can only be realized when the highest ranks in the government decide to abandon the old way of doing business and allow room for genuine reform to develop.

> **"The lack of a coherent problem-solving strategy in the Egyptian petroleum sector is the main stem from which most complications grow"**

3D SEISMIC ACQUISTION

OVER ABU QIR GAS FIELD

By Fugro

Fugro-Geoteam AS, one of the industry leaders in marine seismic acquisition was contracted by Edison International SpA to acquire what would turn out to be a very challenging 3D multi-azimuth seismic survey of the Mediterranean coast of Egypt in the North Abu Qir licence offshore Egypt. The North Abu Qir Concession is located 20km north of the Abu Qir gas field, which is 42 km north east of Alexandria. The survey area was approximately 350 sq. km and to be acquired with 3 azimuths of headings 000, 060 and 300 totalling approximately 1000 sq. km of acquired data.

The vessel employed was Fugro-Geoteam's R/V Geo Natuna which during several previous projects in India and elsewhere had built up a high level of confidence and experience in tackling such challenging surveys. Some of these main challenges posed for the vessel and crew were acquiring multi-streamer seismic data in shallow waters down to 12m, with significant levels of fishing activity to be negotiated and thrown into the mix was the additional issue of the two Abu Production Platforms, (NAQ P-1D and NAF1/NAF2) which in order to achieve full coverage beneath the platforms had to be undershot with the aid of a second source vessel.

The client's main objectives were to improve the imaging on existing sub-standard data by producing a modern high-quality, high fold, full coverage dataset imaging multi-target reservoirs down to a two way travel time of seven seconds whilst maintaining high resolution imaging of the more shallow targets. Needless to say all this had to be done maintaining high levels of QHSE and keeping to a strict time schedule.

Additionally, the area was also known for its traffic going to and coming from several ports such as Alexandria, Abu Qir and Port Said as well as the busy traffic lanes entering and exiting the Suez Canal.

Of primary concern and in order to ensure safety of the vessel and crew, a bathymetry survey of the area was carried out prior to deployment of the seismic equipment. The survey, conducted by Fugro Geoteam's sister company Fugro Survey Egypt, was performed in October 2010 covering water depths ranging from 12 to 28m. The main aim of the survey was to provide a detailed bathymetry, identifying and describing natural and manmade seabed features and to verify the positions of any surface obstructions or hazards across the site. A key criterion was to confirm discrepancies between the existing Admiralty Charts and previously acquired bathymetric data from an Ocean bottom Cable survey. Several wrecks, wellheads, a spoil-heap and two exposed pipelines were noted across the area. The vessel employed to perform this was the survey vessel M/V Wind K.

After a difficult deployment of the seismic equipment due to the heavy seas together with fishing boat interference, the R/V Geo Natuna began production on the July 1st and in order to fulfil the fore mentioned objectives, the vessel deployed four long streamers of 8km in length, something which our competitors were seemingly reluctant to do. As with most Fugro's seismic vessels, the streamers consisted of solid sections. The advantage of the solid filled sections enabled less noise from the drilling operations to infect the recorded signal as well as being more environmentally friendly in the event of them becoming parted.

The operation took into account the sensitivity of the shallow fishing grounds located in the southeast corner of the survey area. This resulted in a reduced survey for one of the azimuths. Fishing activity mainly increased during the night where the southern part of the survey area was congested by literally hundreds of fishing boats. The survey began with two locally hired Fishery Liaison Officers (FLO) onboard the master vessel and ten locally employed chase boats to provide and assist in the safe escort of the master seismic vessel. After a seismic cable had been severed because of a fishing vessel inadvertently crossing the spread, which resulted in several days down time and because of the sheer intensity of fishing activity in the area, this was upgraded with an additional FLO and ten extra chase boats in order to avoid any more potential show stopping incidents. Even after this extraordinary measure, it wasn't until employing the strategy of daylight only shooting and the additional assistance drafted in from the Egyptian Navy in the shape of two war ships that the seismic survey could continue unhindered.

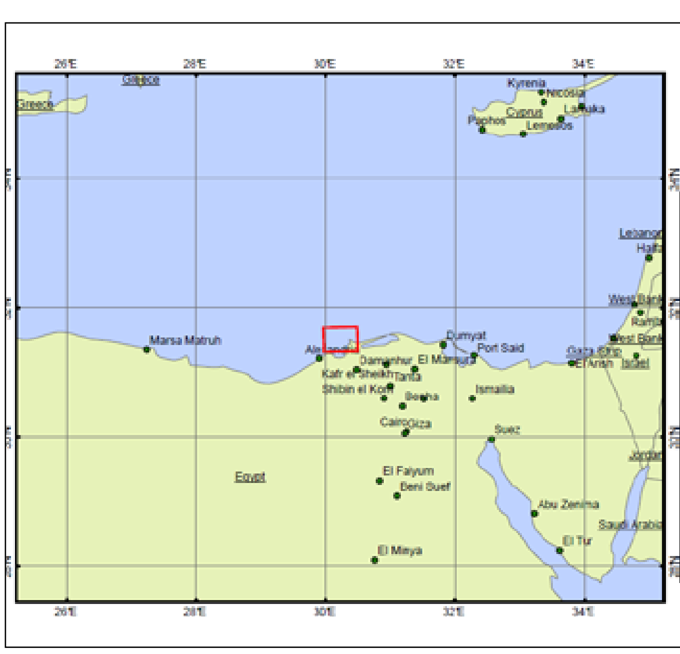
There were no major tides or marine currents in the area however as expected there was a major fresh water influx from the Nile estuary in the southern eastern corner of the survey area which further added complications in maintaining streamer stability and feathering due to these currents in the survey area.

Despite the well documented and ongoing political uncertainty in Egypt, two complete crew changes were successfully performed during the survey on July 13th and August 17th. Both of the crew change operations completed safely and without incident through the use several helicopter sorties on a BELL 412 to and from the vessel and through the use of a chartered aircraft. All logistics made possible by the excellent efforts of the client, vessel crews, agent, local authorities and shore support. Optimal production was maintained with the new crew onboard via the use of the vessel's work boats which were launched on a regular basis in order to maintain the in-sea equipment and save valuable time in the avoiding the recovery of the seismic streamers. Further time was saved with in-line refuelling while maintaining production, using the master vessel's permanently assigned support boat, M/V Go Acomar.

Despite the complexity of the survey, the technical downtime for the total project was less than 3% which is way below what is considered to be an industry average.

Fugro-Geoteam is committed to QHSE excellence, clearly displayed not only in our operations, but also by our achievement of OHSAS 18001 certification. A recent move to a process orientated QHSE Management system has enabled us to focus upon the core processes, effectively managing risks in an efficient and effective manner, without the paper work overload inherent in a traditional management system. This enables us to provide an efficient operation with pro-active risk management thus delivering a quality product.

After a truly gallant effort by the crew and good cooperation with the client, the agent and all local authorities, the survey was successfully complete on October 2nd with the following HSE objectives easily met; zero lost time incidents, zero restricted work cases, no incidents regarding the environment and only a minimal number of minor incidents. The vessel then headed north to the Black Sea to complete its next project.



Figrure 1. Location map of the survey area within Abu Qir Concession

Figure 2. Seismic Survey Vessel, R/V Geo Natuna

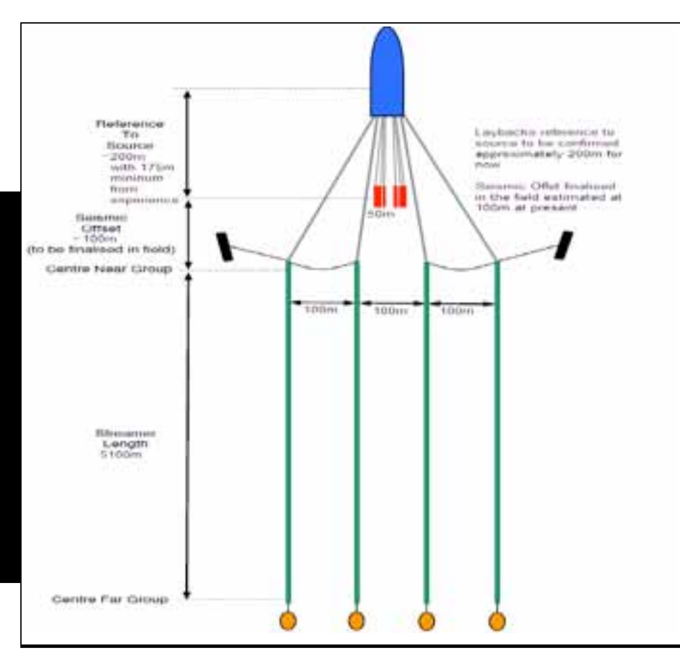


Figure 3. Schematic showing Seismic Streamers towed from the vesse

GANOPE-NJSC Naftogaz Exploration Agreement Reinforces Minister's Vision

By Wael Serag

Under the stewardship of Petroleum Minister Eng. Abdullah Ghorab, the Egyptian petroleum industry has witnessed a rising number of agreements between the Egyptian government and foreign companies. Greater focus has been placed on encouraging foreign investment in exploration and development operations in order to build up Egypt's reserves of oil and natural gas and thus meet burgeoning domestic needs, in addition to exporting surplus resources with the purpose of funding economic development.

The Minister's vision is slowly coming to fruition, as evidenced by the recent inking of a new agreement between Egypt's state-owned Ganoub Al-Wadi Petroleum Holding Company (GANOPE) and Ukranian company Naftogaz. The agreement opens up GANOPE's concessions in South Assiut for oil and gas exploration by Naftogaz. The agreement contains several elements which include:

1. Exploration operations, which are comprised of geological, geophysical and aerial studies, in addition to the drilling of exploratory wells in search of petroleum in accordance with the work programs and budgets determined for exploration.
2. Development operations, which encompass drilling, plugging, deepening, re-drilling, completion, and preparation of developmental wells, as well as changing the status well status. Development also includes establishing services and maintenance for equipment, network facilitations, and production-related laboratories, in addition to bringing developmental wells into operation.
3. Facilitation of transportation, storage, and other drilling activities.

Furthermore, the third clause of the agreement places three obligations of paramount importance on the agreeing partners:

1. The government is entitled to 10% of all petroleum produced in the concession in South Assiut during the developmental period; GANOPE is responsible for the payment of this percentage, and the contractor does not share this responsibility.
2. Exploration and Development operations are to begin in a preliminary period dating 3 years from the date of the agreement coming into effect.
3. In the case of a commercial discovery of either crude oil or natural gas, the investor is obligated to assess the discovery via the drilling of one or more wells for evaluation, as part of the investor's research program. This is in order to determine whether the discovery is worth developing commercially, taking into consideration potential reserves, potential output, pipelines in place, the necessary infrastructure, and contemporary oil prices, in addition to factoring in all of the technical and economic elements related to drilling in the concession.

The agreement places upon the foreign investor the obligation of spending no less than $2.7 million on exploratory activity, which must include a seismic study covering a length of 1,400 km as well as a magnetic aerial study encompassing a distance of 800 km.

The fourth clause of the agreement stipulates that the foreign partner must begin petroleum exploration no later than 6 months from the date on which the agreement comes into effect. GANOPE is obligated to provide the foreign partner with all seismic data and all data pertaining to wells and other details in the concession area.

The preliminary exploration period for the investor is three years, with the possibility of two consecutive extensions. The first of these extensions could reach two years, while a further extension of up to three years could be granted.

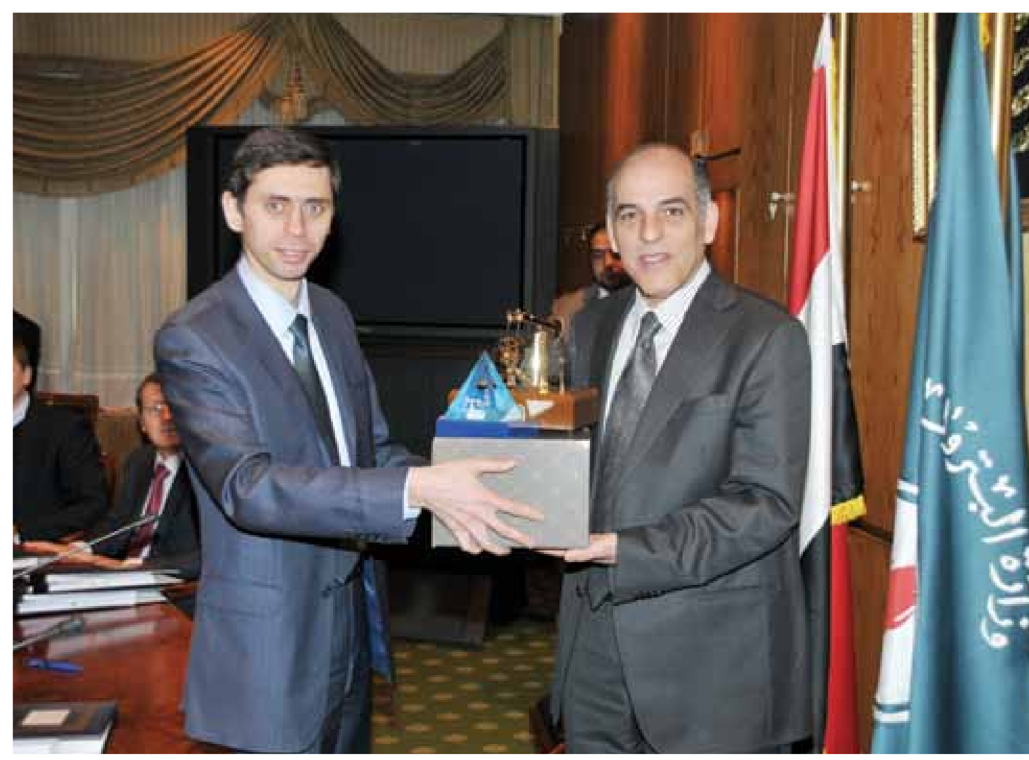
The agreement also stipulates the drilling of 2 wells within the 3 year preliminary exploration period. The first extension period must witness investments of at least $3.7 million, while investments in the second extension period must be no less than $10.5 million.

In addition, the Ukrainian partner must prepare an operational schedule and an exploratory budget for the South Assiut concession. The foreign partner is not to significantly modify the aforementioned schedule or budget without the approval of GANOPE.

The Minister himself had previously declared the government's intention to work towards securing a greater number of agreements with foreign companies, in efforts to boost Egypt's reserves of petroleum resources.

In statements made to Egypt Oil & Gas, Eng. Ghorab claimed that success in luring foreign investment to the petroleum sector is largely reliant on the clarity of policies adopted by the government as well as on offering contracts that are appropriately balanced. These elements are meant to counterbalance the rising costs of exploration and development operations, particularly deepwater operations and the development of new fields.

The Minister highlighted the success of the petroleum sector in attracting investment despite the occurrence of global financial crises, attributing it to the trust and credibility the sector has accumulated and its effectiveness in working with foreign investors. He praised the sector's adherence to clear strategies and policies which achieve a balance between all stakeholders.



Egypt Statistics

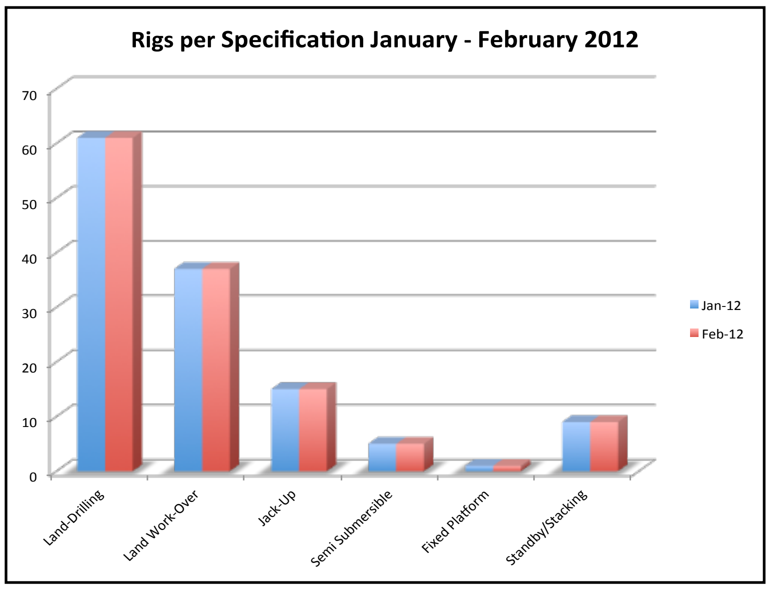
EGYPT OIL&GAS RESEARCH & ANALYSIS

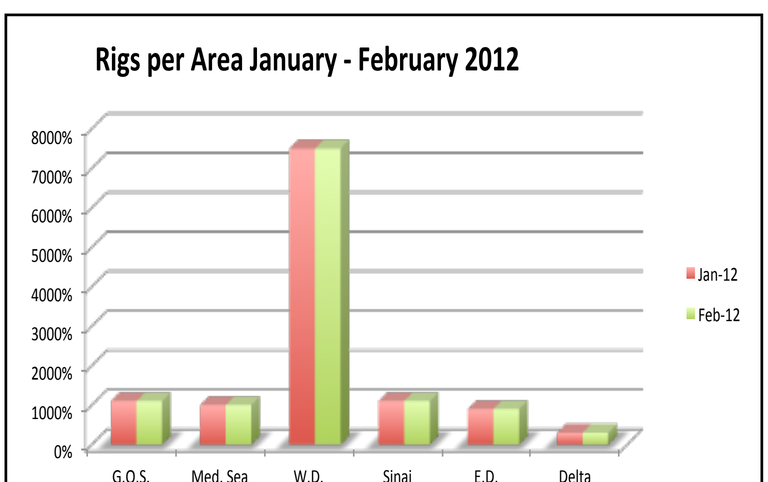
	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	January-10	January-11	January-12	January-10	January-11	January-12	January-10	January-11	January-12	January-10	Janu-ary-11	January-12
Med. Sea							1597612	1499406	1398330	349886	462425	522218
E.D.	2129221	2158699	2341192	2129221	2158699	2341192						
W.D.	7177383	7886169	8297080	7177383	7886169	8297080	1655370	1810903	1714723	585991	657913	776060
GOS	4984805	5181964	4927096	4984805	5181964	4927096	60225	73371	56524	137575	191106	195866
Delta	197978	101043	100053	197978	101043	100053	196204	213460	174417	88935	106533	107570
Sinai	2255989	2087036	2219457	2255989	2087036	2219457	58919	38916	33740	80852	84261	86313
Upper Egypt	19061	23401	16889	19061	23401	16889						
Total	16764437	17438312	17901767	16764437	17438312	17901767	3568330	3636056	3377734	1243239	1502238	1688027

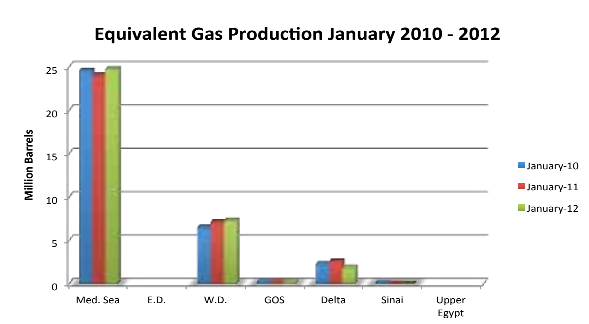
Table 1 Egypt Rig Count per Area -September 2011

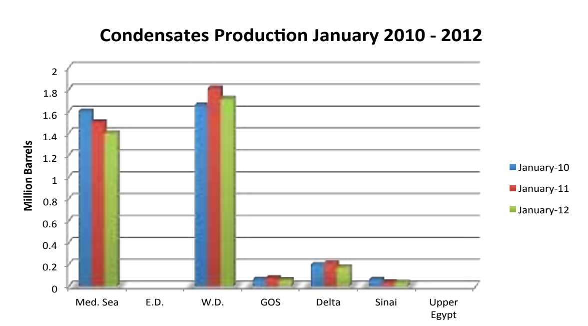
RIG COUNT

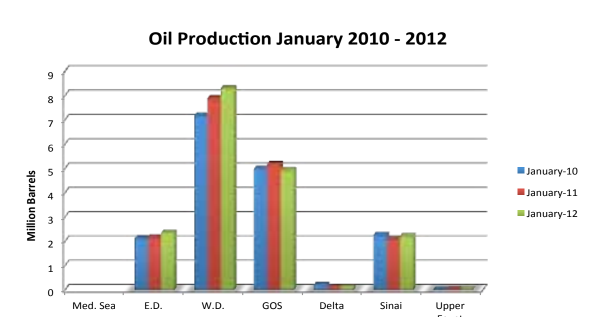
Area		Total	Percentage of Total Area
Gulf of Suez		11	9 %
Offshore	11		
Land			
Mediterranean Sea		10	8 %
Offshore	10		
Land			
Western Desert		75	63 %
Offshore			
Land	75		
Sinai		11	9 %
Offshore			
Land	11		
Eastern Desert		9	8 %
Offshore			
Land	9		
Delta		3	3 %
Offshore			
Land	3		
Total		119	100%

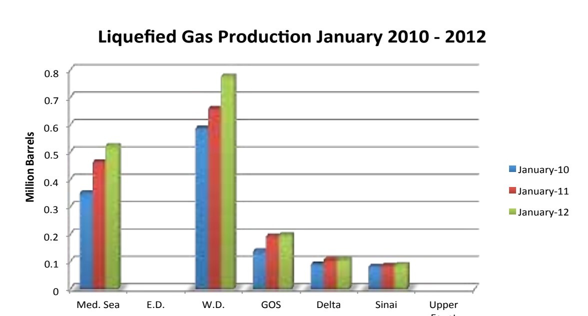


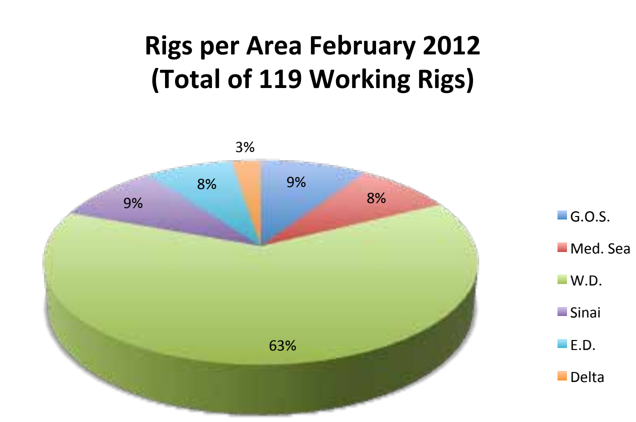


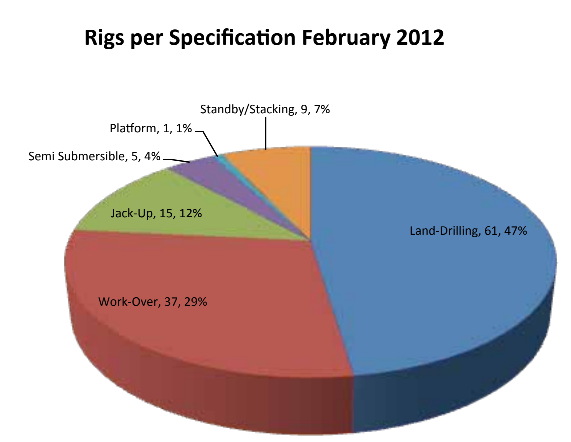


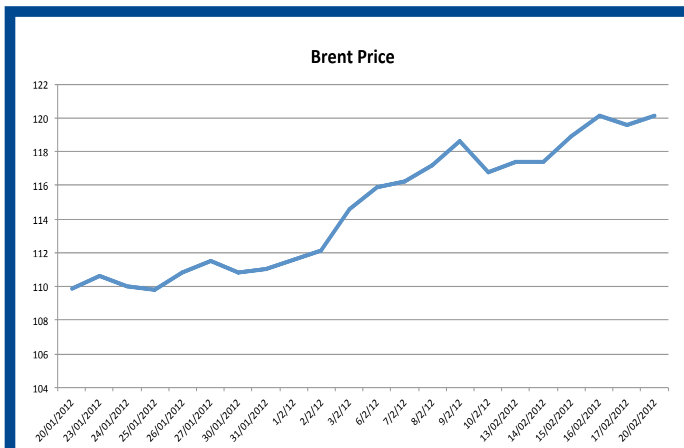


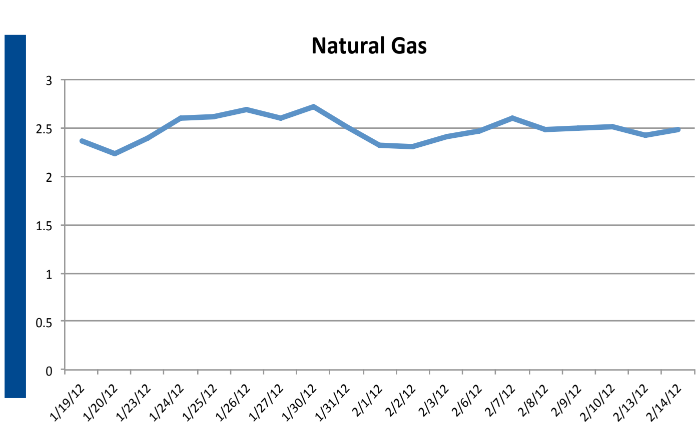


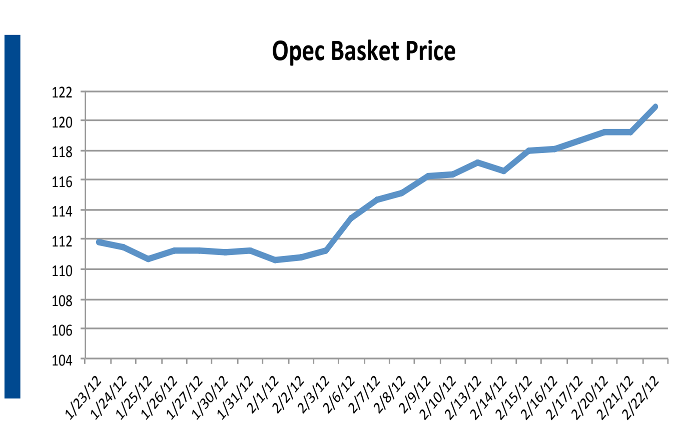












Egypt Hosts the Third International North Africa Technical Conference

From the 20th till the 22nd of last month, Egypt hosted the third International North Africa Technical Conference and Exhibition (NATC) organized by the Society for Petroleum Engineers (SPE).
The opening ceremony was inaugurated by Egyptian Minister of Petroleum Eng. Abdulla Ghorab; Alain Labastie, 2011 SPE President and Engineering Advisor, EOR Technologies, Total; Dr. Mohamed Hashem, Subsurface Technology Manager, Shell and NATC Program Co-Chairman; and Samir Abd El-Moaty, Exploration and Agreements Consultant, BP and NATC Program Co-Chairman.
The conference had a vigorous program, comprising of an executive plenary session tackling the event theme of 'Managing Hydrocarbon Resources in a Changing Environment', five panel sessions, twenty-five technical sessions, and over 100 poster presentations. The exhibition ran adjacent to the conference, showcasing the latest in products and services for organizations in North Africa and the Middle East.
The "NATC came this year at a critical time for North Africa, with the countries aspiring for a new dawn of democracy and business without corruption. The multi-disciplinary nature of the event offered a good platform for sharing knowledge, expertise, and the latest technical applications to address current issues within the oil and gas industry of North Africa and meet the people's expectations," stated Dr. Mohamed Hesham.
The event succeeded in attracting more than 800 attendees from 187 companies representing 32 countries, providing them with a platform to interact with some of the industry's leading professionals from the various countries, allowing them to "gain insight on how political, economic, and technological conditions affect them and their organizations."
The conference was sponsored by veteran companies such as Eni, Schlumberger Dana Gas, Baker Hughes, KUFPEC, Total, Shell, Packers Plus, Weatherford, Norris Production Solutions and GASCO.
The event witnessed a strong media presence, especially on its opening day. Oil & Gas Middle East Al Arabiya and Arabianoilandgas.com were the event's official media supporters. Egypt Oil & Gas was the main media supporter. Also covering the event were Daily News Egypt, DMS Insight, GulfOilandGas.com, Oil & Gas World Magazine, Petroleum Africa and Petroleum Today

Another Sucessful Benevolent Mission by Petronas Egypt

Mohamed Amin Abdullah, Chief Executive Officer, Petronas Egypt

On the 19th of last month, Petronas PILC (Egypt), endeavored on yet another community outreach program as part of its ongoing efforts to contribute to the welfare of the less-fortunate, which comes in the context of its mission of Corporate Social Investment.
Under the guidance of the Egyptian Ministry of Education, four schools were selected in Cairo, namely El Gamaleya, Al Kamal, Gawhar Allah, and El Fardous to receive Petronas' charitable contribution.
During the simple, yet moving ceremonies that took place at the abovementioned schools, Mr. Mohamed Amin Abdullah, CEO of Petronas Egypt, took personal charge of handing school bags to the students and gave a small speech in Arabic in every school. In addition, the company sponsored bags and school fees for a total of 369 less-fortunate students in the age group of 7 to 12 years.
Also present at the ceremonies were heads and staff of Petronas Egypt, officials from the Ministry of Education, schoolteachers of the respective school, along with key stakeholders from the Ministry of Petroleum, the EGPC and EGAS.
Under the leadership of Mr. Sameh Said, Petronas' Corporate Affairs Officer, the staff worked robustly and with great enthusiasm throughout the entire program, organizing the packages intended for distribution and sharing warm, loving moments with the young students. Their tireless efforts were of true inspiration to the attendees of this benevolent event.

SPE Young Professionals Launch Oil & Gas Simulation and Education Week

The Society of Petroleum Engineers (SPE) organized an Oil and Gas Simulation and Education Week Program, with the kickoff session having been held on 12 February. The Young Professionals chapter of SPE Egypt designed the program with the aim of strengthening the roots from which the industry's future is to sprout, namely the future engineers of Egypt. 90 students are participating in the program, which is being held in Egypt for the first time.
The essence of the Simulation and Education Program is to prepare students for the real-life scenarios and challenges that will be facing them in any of their various fields within the industry by simulating the working process of actual petroleum companies. The program brings together students from various different universities and prompts them to work side by side in a simulated work environment.
The program is sponsored by major global oil companies. Weatherford and Inventure are the financial sponsors; Khalda and Egyptian Drilling Skills are the event's hosts; the list of technical sponsors boasts Schlumberger, Weatherford, Inventure, Egyptian Drilling Skills, Baker & Hughes, EPROM, and Lukfin. The sponsors will be providing expertise from their ranks in order to mentor the students through the simulation training process, bringing their experience of actively working in the industry to the program.
Dr. Ahmed El-Bambi, Chairperson of the Education Week Committee, praised the program as an excellent means of "transferring" students from the phase of college education into the actual working industry, labeling it "work before work".

The mentors in charge of leading the students through the training program showed willingness not only to pass their know-how to the next generation of engineers, but to professionally benefit from the experience as well.
The Young Professionals chapter SPE is taking a leap forward in the petroleum industry by bringing the work experience to the students in a risk-free, training environment.