NDP's working paper to overcome the economic crisis

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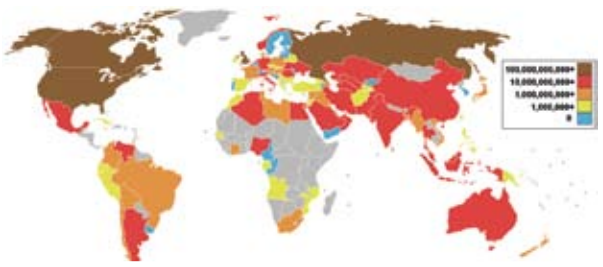

When the forgotten becomes the lead

When it was first produced, it did not have the value it has nowadays. It used to be burnt to get rid of, while now natural gas has become a vital commodity

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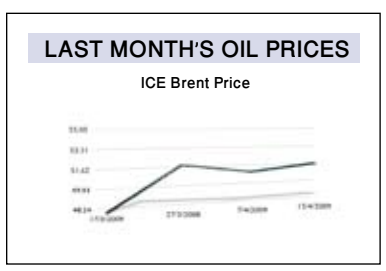

A symphony of continuous discoveries

Despite the speculations of most analysts expecting the slow down and deterioration of the energy sector in Egypt, Dana Gas has broken these theories through a shower of successful gas discoveries. This is just the beginning and yet more to come, said Dr. Hany El-Sharkawy, Dana Gas Country Director

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Protecting the reserves

The debate over the accuracy of announced quantities of the world's energy reserves and the volume of the Egyptian share of this pie has driven us away from the right road; it is not a matter of how many reserves do we have, or for how long they would last, it is rather how we will protect and efficiently use our reserves for the future.

In a statistical world energy review by BP, the world total reserves of natural gas stood at 177.4 trillion cubic meters (tcm) at the end of 2007, scoring an increase of 1.14 tcm compared to the end-2006 figure. As for production and consumption, they both witnessed an increase at close rates. Gas production augmented by 2.4 percent, while consumption rate rose by 3.1 percent. This means that despite efforts paid for production increase, it would barely satisfy the increasing demand and consumption rates.

Focusing on Egypt, its natural gas reserves went from 0.31 tcm in 1987 to 0.93 in 1997. Ten years later, this figure jumped to 2.06 tcm in 2007. According to report, Egypt comes third in terms of its gas reserves after Nigeria (5.3 tcm) and Algeria (4.52 tcm).

However, "proved reserves of natural gas are generally taken to be those quantities that geological and engineering information indicates with reasonable certainty can be recovered in the future from known reservoirs under existing economic and operating conditions," highlighted the report. This should not be then a solid ground for our future energy strategies.

Egypt has boosted its gas production from 11.6 billion cubic meters (bcm) in 1997 to 46.5 (bcm) in 2007. Compared to 2006, production stood at 44.7 bcm. Egypt enjoyed then a 4.2 percent-increase. Although the promising image illustrated by these figures, the rate of consumption was almost at the same level as production. In 2007, the country had consumed 32 bcm compared to 29.2 bcm a year earlier. This 9.9 percent increase in just one year shows that the over usage and dependence on energy ring the bell for considering the energy depletion as a threat endangering our society.

Being prepared for the worst-case scenario is much better than waiting helpless for it! I believe that our country is very rich in terms of natural endowments blessed by God. We should expand our energy channels to include renewable and alternative energies. They might be costly at the beginning, but they are the best warranty for a brighter and cleaner future.

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Guest Column

Manufacturers of our own good

EPHH forms part of the future for Egypt>s Petroleum Sector, growing from being just importers to manufacturers of our own goods. This ideology has begun with the establishment of petroleum construction firms, such as Petrojet and Enppi in the 1970's and has continued apace since then.

Operating from an 84.000 square meter plant near Ain Sokhna Port, we have two parallel production lines, one for rig components and another for assembling and testing the drilling rigs.

Being active locally has motivated us to expand our interests and move out of the boundaries and target the other international markets. That is why; we invited over 100 delegates from around the region including Libya, Sudan, Jordan and Yemen to a conference to demonstrate our product, in November 2008.

During the booming period from 2005 to 2008, many inferior products invaded the market due to the high demand. Now, industry makers are aware enough to select and accept only the high-quality products. Hence, our target is to capture this quality market for superior goods, while crowding out the inferior products

Eventually, we are working hardly to have our products' quality forms our reputation and create a brand for ourselves both in Egypt and aboard.

There are always risks setting up a new business, but to avoid such risks, we managed to secure buyers of our first fruits; SinoTharwa purchased the first three rigs. Fortunately, We are also backed by a solid consortium of government companies keen to see our project survive as a part of the Ministry Strategy

Egypt's expansive exploration programs carried out in Upper Egypt, Western Desert and Gulf of Suez fills us with confidence to move further in our business as there will be a continuous demand for our products, which are required in these programs.

We are very optimistic for the future of the Egyptian drilling industry, long–term exploration plans will continue despite the declining economic conditions

In 2008, EPHH succeeded to achieve its targets; built three rigs and turned a profit. And, this year, expansion plans are on hold until we receive positive signs from the market. Personally, I am confident in the long-term viability of our plant. With the long-term strategy of H.E. Eng. Sameh Fahmy and the backing of the government, EPHH will continue to grow.

Mohamed El-Gohary
EPHH Chairman & MD

UNICO

United Oil Service Co.

Free Zone

UNICO is an oil field services company that was founded in 1993. It is based in Egypt, with offices and yards located in Cairo, Alexandria Free Zone, Ismailia, and Salhyia, and international offices in Libya, Sudan, Kuwait and Yemen. Our mission in UNICO is to provide quality services to the upstream oil and gas industry and to become a reliable and well established company in the industry.

The Incineration System has been designed to provide the lowest possible cost for rendering Oil Based Mud Cuttings, Sludge and Contaminated soils totally inert. Independent test results from a variety of treated materials confirm that guidlines for unlicensed landfill are achieved and surpassed. The system deals with the problem on the spot, rendering the contaminated material safe and leaving no hydrocarbon residue.

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Diving Services (All Diving activities air, Saturation, Diving personal, Diving equipment, Diving systems maintenance, Refurbish and manufacturing)
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Working Barges (Jack up, Construction, Pipe Laying Barges).
Total Oil field pipeline Solutions

CAPE an ACTION Company

UNICO is the representative of Cape group in Egypt. CAPE Group provides a wide variety of specialised offshore services in several fields to the Oil, Gas and Petrochemical Industries, including; piling, pipelines, pumping and decommissioning.

Sertecpet

Well evaluation and production
Tools construction and equipment
Services of machine tools

MERMAID MARITIME

UNICO is the representative ofMermaid Offshore Services Ltd. ("MOS"). MOS provides sub-sea inspection, repair and maintenance services, light construction services, and emergency repair and call out services.

Other services

Waste Water Treatment
WIth over 100 PVC lined pits in its sites in Alexandria and Ismailiya and a combined capacity of 40,000 cubic meters, UNICO has the ability to treat waste water from oil and gas sites in a safe and regulation approved manners.

Solar Treatment
Treating water based mud cuttings & associated drilling fluids by SOLAR DRYING is accepted by the Egyptian Environmental Affairs Agency (EEAA) and UNICO is authorized to use this treatment method.

Encapsulation
The Encapsulation method is based on mixing cement or cement bypass dust and calcium oxide to the contaminated soil or cuttings then adding water and other additives to the mixture with various percentages.

Roller Reamer
UNICO is the sole agent of REDBACK drilling tools in Egypt.REDBACK is focused on developing reaming and torque reducing tools.

Consultation & Project Management
UNICO is one of the leading companies in technical consultation and project management in Egypt and the MiddleEast.

Other services
HSE Training
UNICO provides trainings in the fields of HSE and Drilling

UNICO has a joint venture agreement with Global Lifting Services Ltd. Global Lifting Services is at the forefront of the lifting equipment industry in the UK and throughout the world, with an excess of 8000 items of reliable modern and well maintained portable lifting equipment on the shelf available for hire. It operatesa quality management system which has been approved by LRQA to BS EN ISO 9002 and First Point, which covers a range of lifting services including inspection, maintenance, test and manufac

NDP's working paper to overcome the economic crisis

The Energy Committee of the National Democratic Party (NDP) is to present a working paper for the Policies Committee of the NDP analyzing means to get out of the current economic crisis, which struck since last September, and to avoid the implications of the post-crisis which is expected to end in 2011-2012.

"The paper will be submitted during the current month and it suggests the exploitation of the economic crisis in favor of the country, through a positive way based on an intensive and multi-axes program," a member of the Energy Committee in the NDP said.

The member, requested to keep his identity anonymous, pointed out that the whole world is now preparing for the after crisis.

"The paper considers energy as the engine for any economic activity, noting that the Committee had presented a similar paper at the end of last year during the annual conference of the NDP, which included mechanisms and priorities of work with the aim of developing, securing and satisfying the energy needs in Egypt," he explained.

He added that the most important features of the working paper are the following; provide energy to the industrial areas, deliver gas to households and amend the deals of exporting gas to foreign countries, noting that Egypt is a state of limited energy resources and therefore, the country must deal with its resources in a positive way. Moreover, a list of main concerns were set such as priorities of domestic consumption of energy, security of strategic reserves and increase of oil and gas production through the involvement of the private sector and attraction of foreign investment to liberalize the market gradually in order to reduce the subsidies' bill of the oil sector. It is worth mentioning that the budget allocated for energy subsidies is about 76 billion pounds.

Besides, the second aim of this paper is to maintain growth rates, which amounted to seven percent in 2006, a figure reflecting Egypt's need for energy.

More updates from TransGlobe

TransGlobe Energy Corporation stated a mid-quarter production and operations update for the first quarter of 2009 and increased production guidance for 2009.

Following the Company's last operational update in March 2009, the Hana West #5 well was drilled to a total depth of 6,500 feet. The well encountered an up-dip extension to the original Hana pool, prior to entering the Hana West pool. In the Hana West pool, the well encountered oil in the Asl B1, B2 and B3 sands, similar to the Hana 18 discovery well. A full-diameter core was cut in the Asl B sands to provide reservoir information for the Hana West simulation model. The Hana West #5 well is the fourth successful appraisal well drilled at Hana West. The well was completed as an Asl B3 producer and placed on production at an initial pumping rate of 1,000 barrels of oil per day (Bopd). The rig is currently drilling Hana West #6, a southern offset of Hana West #4, an Asl C2 and C3 producer.

Following Hana West #6, the rig is scheduled to move to East Hoshia #3 for an exploration well. East Hoshia #3 is targeting a deeper prospect in the Nubia/Matulla formations identified on the new 3-D seismic data acquired in late 2008.

Moreover, the East Hoshia #2 well was recompleted and has produced 27" API oil at a low rate from the Rudeis formation.

Dana's 1st gas production from Al Basant discovery

Dana Gas, the Middle East's first and largest regional private sector natural gas company, announced that it started its first production from the recent gas and condensate Al Basant discovery in the West Manzala Concession, in the Nile Delta.

Al Basant-1 well was discovered in October 2008 and tested at a rate of 23.5 million standard cubic feet per day (mmscfd) gas and 1027 barrels per day condensate. The Al Basant-2 appraisal well was subsequently drilled, completed, and tested in December 2008 and additional gas was discovered in a new zone, which tested at 10.5 mmscfd gas and 150 barrels per day condensate.

Al Basant field gas reserves are currently estimated to exceed 123 billion cubic feet BCF. A third well, in the field is planned to reach an estimated target field production of 45 mmscfd before year-end. The Al Basant discovery was developed on a fast track project with two pipelines; 6" and 12", 17.5 kms each, to transport Al Basant production to El Wastani (EW) integrated gas plant which has a design capacity of 160 mmscfd and 7500 bpd of condensate and LPG.

The El Wastani plant is currently operating at 153 mmscfd gas and 5400 bpd of condensate and LPG. The fast track project was completed in a record time. The new gas production from Al Basant will allow testing the plant beyond its full design capacity and identifying the components that require modification, or upgrading, to maximize throughput while targeting production levels of 170 mmscfd.

The El Wastani East-2 sidetrack well (EWE-2st) is Dana Gas Egypt's first highly deviated/horizontal well in Egypt. The well was drilled and completed in March 2009 in the East El Wastani development lease in the Nile Delta region. Gas production from EWE-2st started at an initial rate of 4.5 mmscfd gas, which will increase after the well has been cleaned up. EWE-2st production is being processed in the company's El Wastani plant facilities.

Dana Gas' Upstream Executive Director, Ahmed Al-Arbeed said, "The experience gained in the successful horizontal drilling of EWE-2st will have a positive impact on the company's plans to further develop its existing fields where horizontal drilling is expected to enhance productivity. The company has now started production from the first gas discovery in 2008 and will continue its efforts to develop and produce the remaining three other discoveries; Salma, Azhar, and Sondos (Haggag) in 2009/2010".

... and celebrates the Orphan's Day

Dana Gas (Centurion) and Wastani Petroleum Company held a party for the orphan children on the World Orphan Day under the auspices of Dr. Hani Al-Sharkawi, chairman of Dana Gas Egypt and Eng. Mohamed Munis El-Shahat, president of Wastani oil Company, and in partnership with «Egypt Sons» led by Prof. Mohamed Al Okdah. The orphaned children had a good time in the live entertainment party which was attended by the company's headquarters on 8/4/2009. The orphans were from Beni Suef governorate and provided clothing and gifts. In addition, the company supported the" Orman House" in the framework of the celebration of the Day of the orphan children to purchase clothing for them.

Will Fajr accept the gas price amendment?

The Egyptian Government is holding vigorous negotiations with the Jordanian-Egyptian Fajr Co. to amend the price of Egyptian gas delivered to Jordan, said a top official to *Egypt Oil & Gas*.

According to the terms of the 15-year contract signed between the two countries, Jordan receives one million cubic feet of gas for only $1. The Egyptian side is working hardly to alter these terms and modify the pricing strategy to cope with the current economic recession and market instability. Moreover, negotiations for increasing the amount of gas exported to Jordan are discussed as well.

It is worth mentioning that Jordan consumes approximately 40 percent of the Arab Gas Pipeline, as the quantity of gas needed for industry expected to reach 1.5 billion cubic meters a year by 2017.

The head count of the Egyptian-Jordanian company counts for $125 million. The company was initiated with the contribution of four Egyptian companies; Enppi, Petrojet, Gasco and Egas, having the aim of executing the second phase of the Arab Gas Pipeline, worth a $300-million investment.

KEC boosts its Egyptian portfolio

The Kuwait Energy Company (KEC) revealed that it had found two new oilfields in Egypt's East Ras Qattara block, which boosted production to 5285 barrels per day of light crude from 900 bpd, while proven reserves count for nearly 3.46 million barrels, Chief Operation Officer Mohammad Al-Howgal told *Reuters*.

The company is expecting to increase its daily production capacity this year to 15 thousand barrels of oil equivalent per day (boepd) from the 10,000 boepd achieved at the end of last year, through the new oilfields discovered in the Egyptian territories.

Asked about the effect of current global economic downturn, Al-Howgal clarified that the company had to delay its plans to list on the London Stock Exchange.

"We made the discovery three months ago and we are still in the exploration phase," added Howqal. "We see potential there. By end of this year, we will either ask for extension to continue exploration or go ahead with developing the fields."

The Kuwaiti company holds 49.5 percent working interest of the East Ras Qattara field, while the remaining are held by Chile's state-run Enap Sipetrol.

East Ras Qattara was one of the assets acquired by KEC through its $200 million acquisition of Australia's Oil Search Middle East & North Africa (MENA) last year.

"By the end of 2010, we hope we can reach 50,000 boed, this is our (KEC) target," Howqal said.

Saipem stays in the Egyptian Waters

Saipem has been awarded a new contract worth approximately $400 million for the charter of offshore drilling rig Scarabeo 6.

The contract has been assigned to Saipem by Burullus Gas Company extending their charter of Scarabeo 6 to the fourth quarter of 2014. The rig will continue to operate in the Egyptian waters, where the rig is presently working for the same client.

Scarabeo 6 is a third-generation semisubmersible rig capable, at present, of drilling to depths of up to 7,500 meters, operating in water depths of up to 780 meters. The operating capacity will be raised to 1,100 meters of water depth, following the rig upgrading works, which will be executed in a six-month period between the second quarter of 2011 and the second quarter of 2012.

Bapco releases an E&P bidding for gas

Bahrain Petroleum Co. (Bapco) announced the initiation of its deep gas E&P bidding round for international and national oil companies, expected to be released this month.

Adel Almoayyed, Deputy CEO for Exploration and Production said, "The objective is to bring IOCs and NOCs to provide their offers for exploration and production on the pre-confirmation".

Following the announcement, more than 20 companies showed their interest.

Almoayyed further added that a new company called the Joint Oil Company (JOC) would be formed between Occidental Petroleum Corp. (OXY), Abu Dhabi's Mubadala Development Co. and Bahrain's National Oil and Gas Authority (NOGA), which will be effective from next July.

The country is expecting to double its oil production, from 35,000 to 70,000 barrels per day and increase gas production from 1.2 to 1.8 million cubic feet per day over the next five years.

"The Oxy-Mubadala is a production agreement aimed at maximizing reserves and production from the Bahrain Oil Field reservoirs, we are looking for a two-fold increase but this will take years," he highlighted.

Weatherford moves in Iraq

The U.S Oilfield Services Co. Weatherford is to commence an oil-drilling program in Southern Iraq this month.

"Iraq is starting to boom and there will be more work, but this comes with strong competition," Rex Cramer, Weatherford Executive for Middle East Operations told *Reuters* on the sidelines of an industry conference in Abu Dhabi.

Cramer declared that the company has secured two contracts for drilling in the south and will start drilling in the Kurdistan region.

Heritage sells its Omani holdings

Heritage Oil Limited, an independent upstream exploration and production company, announced the sale of Eagle Energy (Oman) Limited, a wholly-owned subsidiary of Heritage, to RAK Petroleum Oman Limited for $28 million, in addition to a working capital adjustment of $0.4 million. Eagle Energy holds a 10 percent interest in Block 8, Oman.

Tony Buckingham, Chief Executive Officer, commented, "This transaction demonstrates Heritage's strategy of realizing value for shareholders within the portfolio. A minority interest in a non-operated license with negligible reserves was no longer considered integral to the portfolio. We believe the cash proceeds from the sale will enable Heritage to generate substantially greater value by focusing resources on its core activity areas in Uganda and the Kurdistan Region of Iraq."

Heritage acquired Eagle Energy in 1996. Block 8 contains the Bukha field, which has been producing since 1994 and the West Bukha field, which commenced production in February 2009. Block 8, Oman generated profit of $1.0 million for the year ended 31 December 2007 and had gross assets of $21.1 million as at 30 June 2008, net to Heritage.

RPS Energy estimated Heritage's proved plus probable reserves as at 31 December 2007 at 62.1 million barrels of oil equivalent (boe), of which 1.7 million boe were attributed to Eagle Energy's interests in Oman, therefore this sale represents only a two percent reduction in reserves.

Sale proceeds, which have already been paid to Heritage, will be used this year to continue the Company's activities in Kurdistan and Uganda. Over the last 12 months Heritage has had remarkable success with the drill bit in Uganda, including the discovery of the Buffalo-Giraffe field, which is considered, by management, to be the largest onshore oil discovery in Sub-Saharan Africa in the last two decades.

OMV scores its 1st offshore oil discovery in Libya

Strengthening its position in North Africa, OMV announced the discovery and successful testing of oil in the A1-NC202 exploration well in Block NC202, located in the offshore Sirte Basin, 40 km southwest of Benghazi.

The well reached a total depth of 15,815 ft and tested a natural flow rate of up to 1,264 bbl/d from the Eocene Dernah Formation.

This is OMV's first oil discovery in offshore Libya. Kurt Wagner, OMV General Manager in Libya stated, "I am very pleased with this new discovery… Block NC202 forms part of a package of exploration blocks including the neighboring offshore block NC201, NC199 (Cyrenaica), NC200 (Murzuq Basin), NC203 and NC204 (Kufra Basin), which were awarded to Repsol and OMV in June 2003. OMV holds a 14 percent interest in this package. The other partners are the National Oil Corporation of Libya (65 percent) and Repsol, which acts as operator and holds the remaining 21 percent."

OMV's production in Libya amounted to 33,900 bbl/d in 2008.

Glimmer of hope in the heart of crisis

The credit crunch has destroyed faith in the free market ideology, which has dominated the Western economy for a generation. But should it be replaced? Over the coming weeks, a wide debate to be conducted over this controversial political issue

By Mostafa Mabrouk
Economic Consultant, Ganoub El-Wadi Holding Petroleum Co.

Emerging Economic Powers

The world's emerging economic powerhouses will better survive the recession if they further liberalize their economies. The Organization for Economic Cooperation and Development (OECD) focused on tracking the developments of six fast growing economies that it calls the BRIICS, referring to Brazil, Russia, India, Indonesia, China and South Africa. The right strategy to deal with the present crisis was to press on markets reforms. The emerging powers suggested, specifically Russia and China, to replace the U.S dollar as the world's main reserve currency. Russia announced that its proposal had strong support amid key emerging market economies. When asked if the Chinese currency would replace the U.S dollar, the answer of Chinese officials was clearly NO! This rejection is due to the fact that China has the largest U.S dollar reserves ($1.9 trillion) and already bought U.S treasury stocks with additional $740 billions.

Protectionism

OECD members, BRIICS and others should keep the international markets open to improve their economic prospects. However, some countries like Japan and Australia fear U.S protectionism, where Japan is the fourth biggest exporter to the U.S, after China, Canada and Mexico. Also, Australia is a major iron and steel producer to U.S. Both countries consider U.S protectionism as a trade war. During the G20 Summit, Britain, U.S, South Korea, Canada and India requested more strong commitments to free trade. In practice, many of G20 countries have adopted protectionist measures since the Washington Summit, held last November to defend domestic companies, as the American calls for globalization and free market have gone with the wind when received first shock.

Capitalism

As governments continue to study restrictions to impose on markets, especially financial ones, the destruction of wealth by the recession should be placed in the context of enormous wealth creation and wellbeing improvement. Considering the performance of the world economy since 1980, the growth of domestic products increased by 3.4 percent a year. The so-called capitalist greed that motivated businessmen and ambitious workers helped hundreds of millions to climb out of poverty. The role of capitalism in creating wealth is seen in the sharp rise of Chinese and Indian incomes after they introduced market-based reforms, in 1970s and 1991 respectively.

Outcomes of London Summit

The G20 leaders acknowledged the recommendations of finance ministers, which led to successful outcomes,

- The summit agreed to spend $5 trillion by the end of 2010 in order to push up the global economy, as they possess 90 percent of global economy product.

- France and Germany stressed on the importance of protecting funds and preferred to wait for the outcomes from the already committed funds.

- Australia, Canada and South Africa suggested increasing the International Monetary Fund (IMF) lending resources, which agreed to commit $1,1 trillion, with other institutions, distributed as follows: $500 billion for struggling economies, $250 billion to boost world trade, $250billion for a new IMF overdraft facility, $100 billion for International Development Banks to lend to poorest countries. In addition, IMF will raise $6 billion from selling gold reserves.

Oil industry attitude

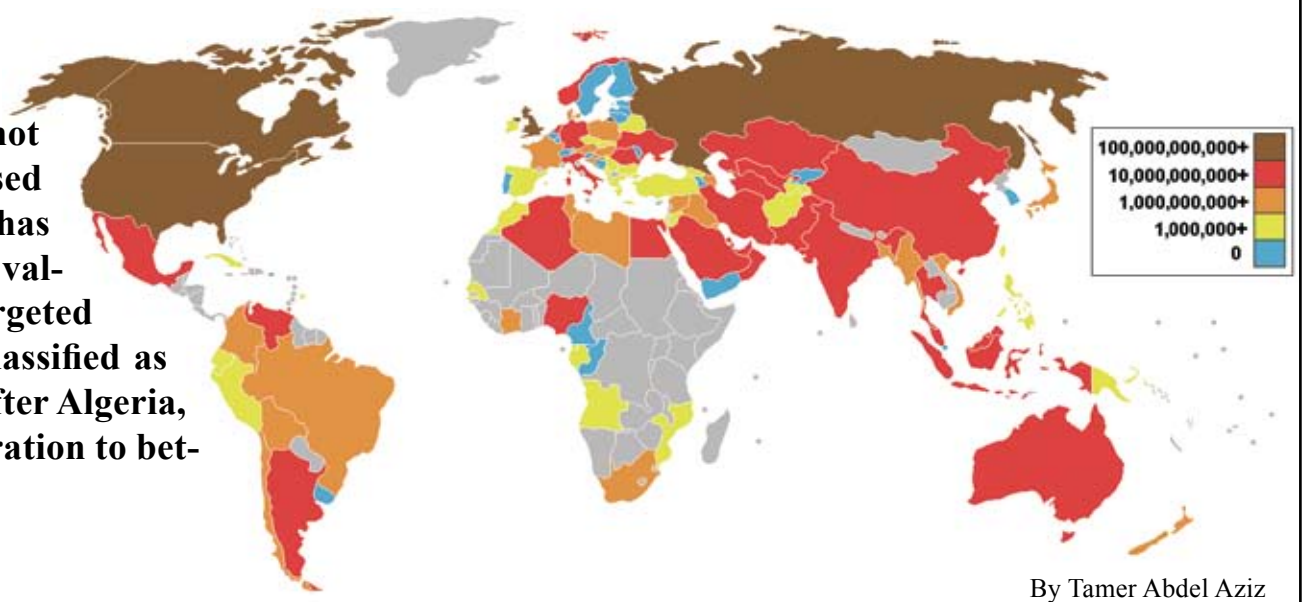
As oil companies cut costs, they should consider not repeating the mistakes of the 1980's oil bust, when mass layoff were released. Few of the largest oil companies, such as ExxonMobil and Chevron have large cash reserves after years of high oil prices, but smaller companies spent heavily during the booming years and are now scrambling to cut back. Some companies have announced layoff, such as Conoco Philips (more than 1000 employees), Schlumberger (5000 employees), while Halliburton is cutting an unspecified number of jobs. Companies have avoided the mass layoff seen in the 1980's, when a glut of oil drove prices below $12 per barrel and thousands of workers lost their jobs. But, will they continue cutting down jobs, this can be seen after the second quarter.

Mortgage Housing Crisis

Most economic analysts consider the U.S housing problem as the core for the recession. The U.S President Barak Obama signed a $787-billion plan, to help a wave of home foreclosures, which would shore up housing prices. It would cost taxpayers as much as $275 billion, including $75 billion in direct spending to keep citizens in their homes, but analysts and administration officials cautioned that it would not come close to halting the tidal wave of foreclosures, nor would it provide much help to millions of homeowners who are holding mortgages bigger than the market value of their houses. Around nine million families would be given the chance to reinforce mortgages under this plan, which has three components; the first would help homeowners who are still on their payments, but paying interest rates. Second component would assist four million people who are at risk of losing their homes. Third component would try to increase the credit available for mortgages in general by giving $200 billion of additional financial backing to the Federal National Mortgage Association and the Federal Home Mortgage Corporation. Generally speaking, housing mortgage crisis and financial crisis are interconnected; both of them are waiting for solution.

When the forgotten becomes the lead

When it was first produced, it did not have the value it has nowadays. It used to be burnt to get rid of, while now it has become a vital commodity; almost as valuable as oil. Natural gas has been targeted all over the world and Egypt, being classified as the second producer of gas in Africa, after Algeria, measures should be taken into consideration to better utilize and benefit from this gift



By Tamer Abdel Aziz
Yomna Bassiouni

Driven by the necessity of increasing and maintaining the production level of natural gas in Egypt, the Egyptian Company for Natural Gas (Egas) has allocated $1.1 billion-investments to drill 23 exploration wells and implementing seven new projects for the fiscal year of 2009-2010. These wells are expected to generate approximately 800 million cubic feet of gas per day, having 3.3 trillion cubic feet reserves.

Moreover, development programs have been set to expand the national natural gas grid to reach more than 500,000 households by the end of this year. As a matter of fact, a total of 3.1 million households have been connected to the natural gas grid; this number was announced by the Ministry of Petroleum officials last February.

The wheel of natural gas development has been active for long; the Ministry has sealed approximately 23 exploration agreements, worth $1.7 billion- spending commitments. Currently, a drilling program for six exploration wells is taking place in the areas of Nile Delta and Mediterranean Sea, which is estimated to add 1.3 trillion cubic feet of gas and 13.5 million barrels of condensates to the country's reserves.

Though the production plans sound promising, we should weigh as well the volume of local gas consumption, which averages 70 percent of total gas production and counts for 33 percent of the total gas revenues. The remaining 67 percent are fulfilled by gas exportation, which sums up to 30 percent of total gas production.

The natural gas exportation strategy does not contradict the Ministry's calls for protecting the country's gas reserves. Eng. Sameh Fahmy, the Minister of Petroleum declared in different occasions that exportation is not a target, but rather a mean for luring more revenues needed to reduce the bill of some imported petroleum products such as Solar and Butagas and to maintain the subsidization of all products order to be affordable to citizens. Actually, the bills of subsidies and imported products are considered as heavy financial burdens on the Ministry; that is why it refers to exportation as partial solution.

> **"The total production of crude oil, condensates and natural gas counts for nearly 1.8 million equivalent barrels compared to only 690 thousand equivalent barrels in 1981-1982"**

The total production of crude oil, condensates and natural gas counts for nearly 1.8 million equivalent barrels compared to only 690 thousand equivalent barrels in 1981-1982. Fahmy highlighted that the production of natural gas has tremendously increased from 2.5 to 60 billion cubic feet per year; this reflects a 24 percent increase over the last 25 years.

A member of the Energy Committee, the National Democratic Party (NDP), said that reserves should not be evaluated in terms of quantities, but rather in terms of the effective utilization and distribution of energy reserves. "The estimations of gas reserves are not accurately nor scientifically calculated. The question is not for how many years our energy reserves would be sufficient, we should instead think how efficient we use our resources to last longer," the NDP member added.

"The plans for energy utilization should not exceed the 10 years time limit due to the continuous market changes… The rate of exploration and production, whether augmenting or declining, does not reflect the rate of usage. So, we have to plan well for our reserves."

On the other hand, Hamdy Aboul El-Naga, petroleum expert, believes that Egypt has enough gas reserves for the coming 32 years; he added that the rate of new explored fields is unchanging as well as the volume of domestic consumption.

Abou El-Naga suggested the transformation of natural gas into liquefied fuel instead of liquefied natural gas (LNG), as the first contains several products such as solar, vehicles and jet's fuel which are more needed in the country. "This

- World natural gas production grew by 2.4% in 2007
- World natural gas consumption rose by 3.1% in 2007
- The total reserves stood at 177.4 trillion cubic meters at the year-end, an increase of 1.14 tcm relative to the end-2006 figure

Statistical Review of World Energy by BP (http://www.bp.com/subsection.do?categoryId=9023762&contentId=7044550)

methodology is implemented in Qatar and does not require high expensive technologies. Note that it is also cheaper as the cost of one barrel of liquefied fuel does not exceed the $30."

Asked about the initiation of a new oil and gas association, which is still under studies, the NDP member believes that if established, this organization has to offer advantageous promotions and incentives to the private sector so that they invest in the expansion of the natural gas grid and give better services to citizens. "This is where the real task of this organization lies; manage the relationship between the public and private sectors, between consumers and producers to better serve the society."

The member further highlighted that the Energy Committee of the NDP will present a working paper for the Policies Committee describing how to get out of the current economic crisis which struck since September last year to avoid the implications of the post-crisis which is expected to end in 2011 or 2012. "The paper will be submitted during the current month recommending specific methods to protect the national energy reserves of crude oil and petroleum products, modify the subsidization divisions and adjust the energy pricing system."

Facts & Figures

During the fiscal year of 2007-2008, the Ministry of Petroleum had an average production plan of 461 million cubic feet of gas, 15 million barrels of liquefied natural gas (LNG) and 45 million barrels of condensate. By the end of this year, results were pretty much close to the planned production. Starting with the natural gas, a 90 percent of desired production was achieved; the total gas production amounted to 417 million cubic feet, while the LNG scored higher than expected as production exceeded the 15-million limit. As for the condensate, 96 percent of the plan was achieved through a total production worth 44 million barrels.

Comparing the production of natural gas per area, the Western Desert comes in the first place with two million cubic feet of gas per day, 44 million barrels of condensate and 16 million barrels of LNG. Followed by the area of the Mediterranean Sea in the second place, it generated 1.6 million cubic feet, 27 million barrels and six million barrels of LNG.

Moving to the third place, the platinum medal goes to the Nile Delta, off which 115 thousand cubic feet of gas per day, 1.5 million barrels of condensate and 830 thousand barrels of LNG were produced.

The last two top achievers are respectively the Gulf of Suez and Sinai; the first produced 14 thousand cubic feet of gas, 820 thousand barrels of condensate and two million barrels of LNG, while the latter scored one thousand cubic feet of gas, 390 thousand barrels of condensate and one million barrels of LNG. (See Figure 1)

Egyptian Gas crossing the borders

In September 2007, a quarto agreement to transform the Arab Gas Pipeline to an Arab Gas Network was announced by Egypt, Syria, Jordan and Lebanon, as a first step toward the plan to link it with the European one after joining Iraq.

According to Fahmy, the Arab countries approved a plan to form a joint working group to study the use of this network in an adverse exchange among the participating countries, which paves the way to "greater flexibility in gas exports and imports among them".

Moreover, Eng. Sufian Al-Allaw, Syrian Minister of Petroleum and Mineral Resources Syria has also agreed to implement the 60-kilometer length link inside its territories till the Turkish borders in preparation for linking the two networks.

Linking the two networks paves the way for greater ambitions; to be linked to the Nabucco Pipeline and have the Arab gas exported to Europe mean that higher profits and more political influence to be gained.

Last February, Budapest hosted a significant summit bringing together presidents and heads of governments who represent the potential partners for the gigantic 3,300-km gas pipeline, Nabucco,

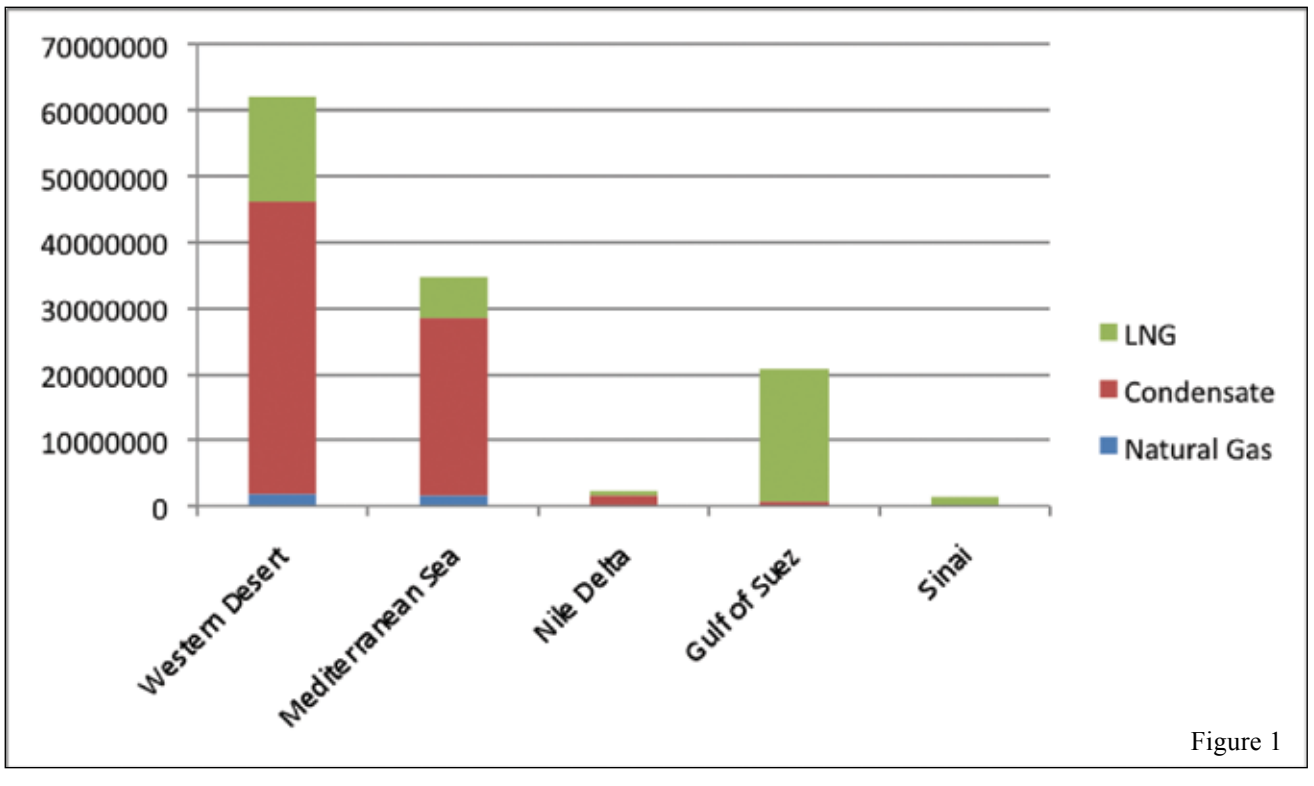
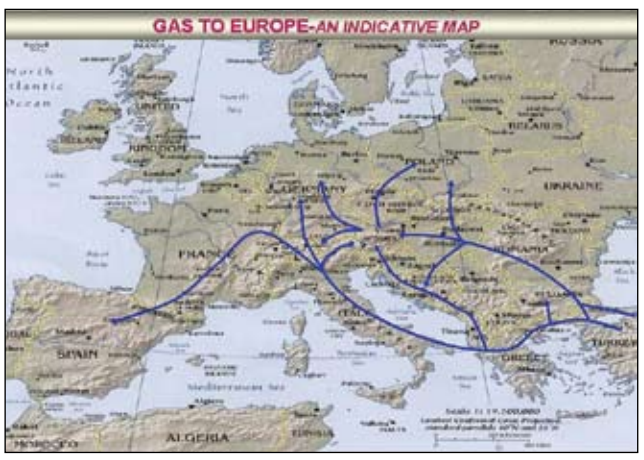


Figure 1



Nabucco Pipeline

worth $12 billion. Egypt, along with government officials from Austria, Azerbaijan, Bulgaria, the Czech Republic, Georgia, Iraq, Romania, Turkey, Kazakhstan, Turkmenistan and the United States, as well as representatives of the European Commission (EC), the European Investment Bank and the European Bank for Reconstruction and Development took part in the summit.

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

The Minister's statement reflected the clear intention of linking the Arab Gas Pipeline to Nabucco and expands the reach of the Egyptian gas to the European continent.

Construction of Nabucco gas pipeline is scheduled to begin in 2011. The first supplies will be carried out in 2014. Its maximum capacity will be 31 billion cubic meters per year. Nabucco shareholders are the Austrian OMV, Hungarian MOL, Bulgarian Bulgargaz, Romanian Transgaz, Turkish Botas and German RWE with 16.7 percent each.

The participation of Egypt in this mega project has led to controversial debates speculating how advantageous or disadvantageous this step could be. According to a report by Cambridge Energy Research Associates (CERA), Egypt has ambitious plans for increasing its gas exports, and there is interest in Egyptian gas flowing into Nabucco following the completion of the pan-Arab gas pipeline from Egypt to Turkey by 2010.

On the other side, the report's analysts are suspicious whether Egypt can commit gas to Nabucco for a long-term period. "Egypt may have already committed its gas to other pipelines and many of Egypt's gas exports are being dedicated to LNG," the report said.

Such suspicions raise once again the questions asked earlier, are the Egyptian gas reserves sufficient for domestic consumption and exportation commitments at the same time? Are the calculations of reserves volume accurate or just estimations? Is there an energy abuse or misuse of reserves? Are we protecting our valuable resources for the future? Would it be economically and politically beneficial to join Nabucco?

A symphony of continuous discoveries

Despite the speculations of most analysts expecting the slow down and deterioration of the energy sector in Egypt, Dana Gas has broken these theories through a shower of successful gas discoveries. This is just the beginning and yet more to come, said Dr. Hany El-Sharkawy, Dana Gas Country Director

By Mohamed Fouad

The series of discoveries hit by Dana Gas raise the question, what are the factors behind this exceptional success?

Actually, the incidence may happen once and sometimes twice but if you have five successes in a row, there must be something behind. I believe that this is the result of a really hard work using very high techniques and technologies in our business. So, we definitely have hoped for it. We always plan for success, but in our business, you do everything to minimize the risk and increase your chances to succeed. We actually had a plan to increase and double our reserves in Egypt, specifically in 2008 and in fact, we did succeed in fulfilling our target through the drilling of many exploration wells.

Has Dana Gas been supported by the Ministry of Petroleum?

I have to admit that we have been given a lot of good support from the government and associated agencies. Besides, we cannot deny the fact that the government is seeking more gas production, therefore there was a mutual interest and we were happy to work together to bring all these discoveries on production as soon as possible.

Was the Salma discovery added to the chart of national gas production?

The Salma discovery is a very good one and I have to say that it is one of the best discoveries in the country so far. Due to its size, additional works such as well appraisal must be carried out to make sure that the estimated 200 billion cubic feet are in the whole park and not a far fiction. Usually when you drill one well, you can have a good estimate of the amount of reserves then you must drill more wells in the same pool to assure the number of molecules that are within this total of reserves. So, the current plan is to drill additional appraisal wells in the Salma discovery before we attempt to develop it and before committing the appropriate capital for it.

Have you started the production from AZHAR-1?

The Azhar is probably similar to the Salma, since it needs additional work before starting the production. Its proven reserves count for nearly 100 bcf+. On the other hand, Al-Basant well came on production last March and right now we still ramping up the production; we have reached approximately 17 million cubic feet of gas per day until now.

How do you position Dana Gas among other gas companies in Egypt?

We are classified, according to the numbers that we know, the sixth gas company in Egypt. However, some of these recent discoveries mentioned earlier are not yet on the production right now. Hence, when we ramp up our production adding the new discoveries, we might have a better rank.

How many gas fields you are investing in?

Right now, we actually have six gas fields and one oilfield in addition to the fields that are not developed yet.

Are you expecting any further new discoveries?

As long as we are drilling exploration wells, I will be expecting new discoveries. I am very optimistic about 2009.

Was it better for Dana Gas to reach these discoveries in a different period of time, especially before the economic crisis and the market recession?

Well, let me tell you something, I had discussions with different people about the crisis and its impact on gas producers in Egypt and they were gloomy. However, I realized that we do not suffer as much as the oil producers do because our commodity price will not go down. Of course, we are financially affected, but not to the same extent compared to oil producers. And, as the core of crisis lies in the banks, the privilege of funding projects is not as easy as it was two years ago. Hence, the unavailability of funds slow downs the aggressive work and development programs.

Is your production in Egypt exported to the mother company in UAE?

Our current reserves are not justified to be exported and therefore most of our production is dedicated and committed to the domestic market. Nevertheless, in the future, we will be looking at exporting opportunities once we have critical mass and I think we are approaching this very quickly.

What is your opinion about establishing an organization for gas exporting countries? What are the pros and cons for Egypt to join it?

I think it is time to have some kind of regulations and guidelines for gas prices; however, such organization will not be another OPEC for gas because gas, by definition, is different in all ways than oil. In my opinion, the organization should be formed on a regional level. Gas needs regional criteria not global one in order to charge the commodity. I believe that Egypt will benefit from such organization, because the country is on the track of an aggressive export program and should take advantages of its exports and maximize the value of gas by having a set of regulations and price guidelines.

Do you think Egypt still enjoys enough gas reserves?

According to Web Mackenzie, there is a lot of gas yet to be found in the region of Nile Delta, especially in the offshore areas and deepwaters. So, I think Egypt has a good future, and when it comes to gas reserves, Egypt has the ability to play a major role in the gas market as a producer.

After the meeting of Dana Gas Board of Directors in the UAE, how much is the expected budget set for Dana Gas Egypt in the next fiscal year?

Let me put it this way, we have to be very cautious this year even if we have the necessary funds. We have to carefully consider the means of spending it. Actually, we have postponed, not cancelled, some priorities or items in order to preserve capital since we do not know when this crisis is coming to an end. We are regularly revising our budget, once every three months, to evaluate whether to spend more or cut costs.

What are the updates concerning Gas City?

I think it is a wonderful project, as you know Dana Gas is involved in upstream, midstream and downstream projects, and this is a typical midstream-downstream project in which Dana Gas has a lot of experience. It is a very useful project to maximize the value of gas. This is the cluster of the industry which comes together and interacts with each other. The name "city" comes from the fact of being a very significant project with accommodations, infrastructure, labor, educational and medical systems. This long-term project is to bring significant job opportunities in Egypt. Currently, we are studying various options to locate the Gas City and we are in discussions with the authorities to see what will be the optimal location to construct the Gas City.

Egyptian Premium Travellers get a Boost from British Airways

BRITISH AIRWAYS

British Airways is launching a great offer for its FIRST class starting from Friday, May 1st

British Airways is taking an initiative to help its existing and potential customers experience its best premium product – the FIRST class cabin and treatment experience. Now you can travel in style with your special someone, friend or family by buying 1 full fare FIRST class ticket and getting the second one at only 50 percent of the cost. If you know you are travelling more than once within this year, you can also buy two tickets for yourself and enjoy the discount on one of them!

Through this great offer, British Airways also brings favourite destinations closer. Speaking about the new offer, British Airways Country Commercial Manager in Egypt Mrs. Mervat Alfy said, "Now you can enjoy the ultimate comfort. The FIRST cabin is a heaven of calmness and refinement, providing you with the personal space you need to escape and relax. We offer this exceptional level of space and privacy at very competitive fares available now ex Egypt. I encourage all our customers to take this opportunity and experience our First service".

FIRST customers enjoy a great deal both on and off the airplane. On board, you get to fly our fully flat bed, enjoy A-la-carte dining, a five-star service by British Airways crew members, over 200 entertainment choices including games and a new AVOD system, a newly introduced "Turndown Service" with a mattress, sleep enhancers, pyjamas and slippers amongst others, an amenity kit designed by world renowned, high-end handbag designer Anya Hintmarch and toiletry products provided by the quintessentially British D.R. Harris and extra luggage allowance. Off board, ticket holders can enjoy a priority check-in service, complimentary treatments at the Elemis travel Spas, exclusive dining in restaurants available only to FIRST ticket holders at British Airways' new exclusive home, Heathrow's Terminal 5 and most importantly, it offers full access to its lounges in which FIRST visitors can enjoy from taking a shower, to having their clothes pressed to free internet access and workstations to going to the cinema.

The new offer applies to bookings made between 1 May 2009 and 31 May 2009, for travel between 1 May 2009 and 31 March 2010.

British Airways was the first airline to introduce a revolutionary "flat bed" in 1996, featuring individual cabins with electronically-controlled seats that convert to a six foot six inch bed, allowing passengers to choose whether to sleep, work or relax at anytime during their journey in complete privacy.

The FIRST cabin was re-designed by leading British interior designer Kelly Hoppen in January 2000 as part of a £20 million investment. This was part of a British Airways' biggest ever programme of product improvements for premium passengers.

The environment is calm and uncluttered - luxurious yet simple. Texture, form and tone create an atmosphere of balance, harmony and relaxation. Connolly leather, burr walnut wood-effect, cashmere-style and velvet fabrics in a colour palette of blue and taupe create the perfect environment for travel.

In November 2006, the airline refreshed the cabin introducing the "Turndown Service" for the first time and updating the wash bags and sleeper suits. Slippers are also available on all routes with the "Turndown Service". New blankets, cushions, crockery, cutlery and glassware lift the feel of the cabin.

New menu selections have also been introduced including "Catch of the Day", "Lighter Options" and an "English Afternoon Tea" service.

British Airways has also teamed up with leading skincare expert Elemis to offer customers a spa treatment as part of their travel experience. All treatments are offered on a complimentary basis. Customers can choose to be revived or relaxed by selecting from a range of treatments. The therapies are performed on a unique intelligent massage chair, which warms the travellers' body and performs a targeted acupressure body massage covering every area of tension. Treatments include customised facials, shoulder, scalp and back massages, and feet and hand re-energisers.

FIRST customers can be assured of the most exclusive, discreet and responsive service, in refined comfort to give thought through service that makes flying FIRST special.

Terms & conditions are as follows:

- Buy 1 full fare FIRST class ticket and get the second 50 percent off
- Selling period from 1 May 2009 until 31 May 2009
- Travel period from 1 May 2009 until 31 March 2010
- Applicable on F & A fares
- Both tickets should be issued same day for same passenger to travel later or a companion travelling on the same flights
- Full fare ticket should be used first
- The full fare ticket is fully flexible
- If the full fare ticket is refunded then the discounted ticket is automatically cancelled
- The discounted ticket is refundable, upgradable and changeable any time with an EGP1000
- No Child or infant fare
- No Ticketing Time Limit

• British Airways has been operating in Egypt for 83 years and currently operates seven flights per week from Cairo to London Heathrow's Terminal 5.

• British Airways is one of the world's largest and most successful international airlines, carrying approximately 36 million passengers around the world per year.

• The airline's two main operating bases are at London's two main airports, with Heathrow being the world's busiest international airport.

• British Airways has a worldwide route network that covers more than 700 destinations, together with one-world partners.

• British Airways offers four long haul cabins: First, Club World (business class), World Traveller Plus (premier economy class) and World Traveller (economy class).

Build better well services.

Weatherford is one of the world's leading reservoir and well services companies.

Just seven years old, our reservoir stimulation and well services group already ranks in the top five in the USA, providing superior safety and service quality. And we have extensive operations in Mexico, Russia, Europe and South America.

Weatherford now offers the following well services in the Middle East and North Africa:

- Fracturing
- Coiled tubing
- Sand control
- Nitrogen
- Acidizing
- Remedial stimulation
- Cementing

Weatherford provides high-level, fully integrated services for any reservoir stimulation or well services project. Our equipment ranks among the best in the industry, designed to expedite rig-up and minimize time on location. And our people are top notch, too—highly skilled and experienced, with a focus on designing and delivering the right solution on time and with maximum efficiency. Finally, we offer a robust portfolio of stimulation and fluid systems, including new ZetaFlow™ conductivity enhancer, which can improve conductivity and provide fines control in any formation.

We're setting a new standard. For more information on how we can pump even the most critical jobs in Egypt or anywhere else in the world, contact well.services@me.weatherford.com or visit weatherford.com.

Weatherford provides a full range of well services with fully integrated and industry-leading equipment and products.

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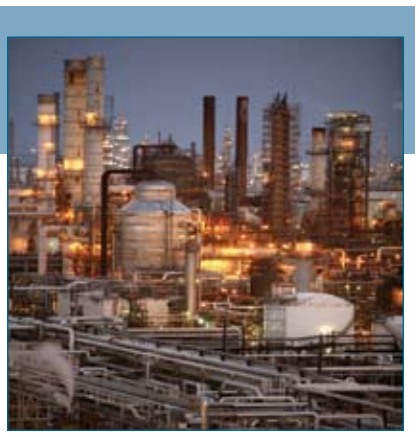
Drilling | Evaluation | Completion | Production | Intervention

Weighing the balance after the shut down



The collapse of oil prices has led many oil producers to pack up their rigs and stow their jacks, yet, some other producers were satisfied by cutting costs. As a matter of fact, many refineries were shut down due to the low oil prices, while others warns that it will lead to a spike of oil prices in the coming years

By Ahmed Morsy

Accordingly, many critics warn that the failure of companies to invest sufficiently in new drilling projects could lead to a spike of oil prices in the coming years. They believe that a supply crunch would take place by the year of 2013.

Lower oil prices have been one of the few bright spots for consumers in the current market conditions, although the situation has also been more difficult for countries depending on oil exports for revenues. Consequently, the price decline has already resulted in lower investment and maintenance spending that, in return, led to reduced capacity and production.

According to a report by the *USA Today*, energy companies have been scaling back investments in future projects, which could ultimately result in price spikes and shorter supplies. Already, Total, Europe>s largest refiner, said it would shut a quarter of its Gonfreville Plant, the biggest in France.

Old refineries are particularly vulnerable. Swiss-based Petroplus will turn its UK Teesside plant into a depot if it cannot find a buyer, while Italy's ENI intends to sell its Livorno Plant.

Morgan Stanley said in a research issued last month that the measure for refinery profitability would average about $4 a barrel in Northwest Europe this year; less than half of the bank's estimate of $8.47 last year.

Europe's oil industry has long relied on supplying the U.S market with gasoline, but a source at Total's Gonfreville said profit margins have collapsed as gasoline exports had shrunk.

With European oil consumption itself in long-term decline, refiners may now shift from simply reducing gasoline output to permanently cutting the capacity of crude distillation units, or even closing a refinery. European refineries can process 16 million barrels per day (bpd) of crude.

International Energy Agency (IEA) data shows that the demand for oil products in European OECD nations will fall to 14.7 million bpd this year.

Low oil prices, which are not related to technology and lower production costs, have depleted oil reserves, increased the income gap between consumers and producers, created friction among the Organization of Petroleum Exporting Countries (OPEC) Members and between OPEC and non-OPEC producers, and led to the imposition of tariffs on oil imports in consuming countries. In addition, they have led to an economic hardship in oil-producing countries, including declines in oil revenues, budget deficits, budget cuts and cancelled projects, borrowing and debts, deterioration in the balance of payments, negative economic growth, currency devaluations and political unrest. All these factors have affected the oil companies through reduced earnings, forced layoffs of workers, lower investment and increased mergers. Despite these disadvantages, oil producers may benefit from low oil prices in the long run. They will increase demand, slow the process of substitution and decrease non-OPEC production.

On the other hand, consumers take advantage from low oil prices, through higher economic growth and disposable income, and lower legislative and import costs. However, these benefits do not come without cost; low prices will increase the future vulnerability of consuming countries and lead to more dependence on oil at the expense of alternative energy sources, more dependence on oil imports, more waste, more environmental damage and less efficiency.

After outlining the advantages and disadvantages, the conclusion is that the disadvantages of low oil prices outweigh their benefits; that is, low oil prices have caused substantial damage. This is due to market inefficiencies and imperfections that include government intervention, especially in consuming countries.

Elsewhere, others think that it simply does not make sense to throw millions of dollars for drilling new wells, when oil counts for $50. Consequently, a growing drumbeat of news reports about energy projects of all kinds being delayed, cancelled, slowed, or otherwise curtailed has been issuing from the energy sector. Yet, the industry playmakers seem not to have recognized that the slowdowns will limit supply in just a few years. Instead, they have continued to bid down prices of oil and gas, with the belief that a slower economy means slower demand and a glut of supply.

When the G20 met

The G20 agreed on an economic recovery package of more than $1 trillion and new regulations for financial institutions

World leaders agreed on a $1.1 trillion injection of financial aid into the global economy, when they met last month in London, with Gordon Brown, the British Prime Minister, who claimed that the grand bargain he had brokered represented «a coming together of the world» which would speed recovery from the worst recession since 1945.

The sprawling deal, set out over two days of negotiations in the British capital, contains tougher-than-expected measures to tighten financial regulation, including a clampdown on tax havens, the final part of the deal to be struck, after an impassioned call for compromise by the U.S President Barrack Obama.

The American President said that "the patient had stabilized and was in good care", claiming that, by any measure, the London summit was historic.

"It was historic because of the size and the scope of the challenge that we face and because of the timeliness and the magnitude of our response," highlighted Obama.

The transatlantic compromise between America and Europe led to a jump in shares in London and New York. The FTSE index closed up more than 4 percent at 4,124.97. The deal won praise from business leaders, as well as anti-poverty campaigners, but dismayed the green lobby with its lack of measures to combat climate change.

British government officials lost their battle to include a commitment to spend a substantial share of the economic stimulus on low-carbon recovery projects. Also, some critics pointed out that the summit failed to produce a coordinated plan to purge the global banking system of billions of dollars of toxic assets, and suggested that regulation of the financial industry should have gone further.

The London Summit took place at a time when the world confronts the worst economic crisis since the Second World War. Building on the outcome of the Washington Summit held in November 2008, the aims of the London Summit were to bring together leaders of the World's major economies and key international institutions to take the collective action necessary to stabilize the world economy and secure recovery and jobs.

The President of Russia Dmitry Medvedev described the outcome of the London summit as a step in the right direction. According to Medvedev, the summit communiqué contains major decisions on financial support from various states, measures to be taken by international financial institutions, decisions about the future of these same financial institutions, stabilization of the markets of G20 countries, protectionism, and on individual states' responsibility for their macroeconomic policies.

The summit was attended by 30 delegations representing 22 countries that account for 80 percent of global GDP, in addition to eight major international financial and economic organisations.

On the other hand, thousands of protesters from a large range of groups including anti-capitalists, environmental activists and those angry at the global economic downturn gathered in advance of the G20 Summit, took to the London's streets for "Financial Fools Day", asking for an end to the system of corporate greed causing poverty and destroying the planet.

H-1 Device introduces new TPAD cleaning techniques

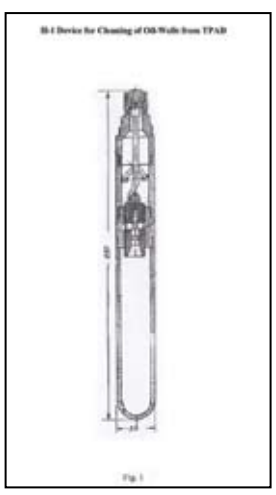
While mining no precious (ordinary), semiprecious and precious minerals, such as silver and gold, people learned to extract from the depths of the earth huge amounts of unique mineral resources known as oil which is rightfully called the "black gold"

By Naftogaz of Ukraine, Egypt Brnch

There is not a single branch of industry that can do without products obtained in the course of oil cracking such as paraffin, kerosene, petrol, ligroin, fuel oil, asphalt and lubricant grease. However, in spite of all positive progress in the sphere of oil extraction from the depths of the earth the existent technologies of oil extraction are not able to prevent sedimentation of oil components such as sulphur, paraffin and tar on the walls of oil wells. In the course of long-term extraction of oil these components may partially or fully clog up pump pressure pipes through which oil is transferred. Oil pipe clogging is a disease of all oil-extracting businesses. There are methods of cleaning clogged oil wells from tarry paraffin-asphalt deposits (TPAD) all over the world. However, some of the methods are very expensive, thus making oil-well cleaning process very expensive, other methods are ineffective.

Let us discuss certain methods of cleaning oil wells from TPAD. There is a scraping method when a scraper comprising cone-shaped metal lobes is lowered on a cable into a partially paraffmized tube. When the cable is pulled up, the lobes are extended so that they come into contact with the walls of the well, i.e. a pump pressure pipe (PPP) through which oils is transferred, and tarry paraffin-asphalt deposits are removed from the PPP walls. The disadvantage of this method is that the lobes cannot be proportionally engaged in contact with the PPP walls and clean away the deposits to the shining effect, therefore particles of paraffin-asphalt remain on the PPP walls, so that a PPP pipe will quickly get paraffmized again; therefore, this method has to be used at regular two days intervals by stopping the oil production, thus incurring economic losses on the oil-extracting business.

The worldwide practice of cleaning oil wells uses a steam-based method. Steam-generating equipment is produced in the U.S. Steam is discharged at high pressure to melt and remove paraffin-asphalt deposits. The disadvantage of this method lies in the large size and heavy weight of the steam-generating equipment. High cost is another drawback of the equipment, worth $1,200,000, and the self-cost of one-day operation of this equipment amounts to $45 thousand. Yet another drawback consists in the fact that steam cools down as it moves down the oil well, as a result it gets condensed and transformed into cool water, which cannot melt paraffin-asphalt deposits formed at lower depths. Therefore, this method can be used for deparaffinization of deposits existent at the depth of down to 80 meters from the head of the well. Another method utilized is the air method; The equipment pumps air at 600 atmospheres into a PPP pipe and the paraffin-asphalt plug descends into the bottom hole of the oil well, and into the layer of hot oil, where it melts. The disadvantage of this method is that it is only applicable when plugs are small; however, if the paraffin-asphalt plugs have formed within a section of more than100 meters of a PPP pipe, then such plugs will not move or descend into the layer of oil even when acted upon by such huge pressure. Another disadvantage consists in the metal fatigue that occurs in metal tubes in the course of long-term operation of the well, the strength of metal is reduced, whereas the pressure of 600 atmospheres may break the integrity of the oil well, i.e. the PPP pipe.



In addition to air method, there is an acid method through which the well is filled with acid to decompose paraffin. Yet, the disadvantage of this method revolves around the acid, while decomposing paraffin, comes into contact with the metal PPP pipe and corrodes its walls, completely brakes the pipe's integrity and makes it inoperable. This method incurs large-scale economic and ecological losses on the business.

Our company LLC Everest-2000 has developed a device and implemented a point-junction heating method of cleaning clogged-up wells from TPAD deposits by means of the H-l device.

Mechanical Method of Oil Extraction

This method is subdivided into two types:

A) Electro-centrifugal pump (ECP): the electric cable is connected to the pump of the PPP pipe from the exterior, while the pipe itself remains hollow.

B) Deep sucker rod pump (DSRP): the pumping jack is placed over the well. It has a 20 mm diameter screwed-in metal rod, which runs down along the centre of the well and is connected via a plunger with the pump that pumps the oil. Through this method, customers are obliged to remove the rod from the PPP pipe, otherwise the rod will prevent the H-1 device from being lowered into the PPP pipe and the cleaning thereof will be impossible.

Although, the depth of TPAD location is insignificant, and its only effect occurs during the cleaning process, the diameter of a PPP is very important, i.e. the lesser the clearance between the interior wall of the PPP and the exterior wall of the device the higher the efficiency and the cleaning quality.

In order to start the utilization of H-1, some information is mandatory to perform the cleaning works: oil extraction method, well depth and the PPP pipe diameter.

Equipment for TPAD cleaning

1. Coring Hoist

The most popular PKS-3.5 self-propelled coring hoist is designed for the lowering and lifting of oil-well devices (including the H-1 device) to the depth of oil layer. The coring hoist is connected to the 220-380 V power source by means of a single, three or seven-core cable of CG-3-67-180 or CG-1-55-130 (180) or CG-1-30-130 (180) type or a similar type, where CG means cable geophysical; CG-3 means a three-core cable; the next number 67.

The hoist is mounted on the chassis of an off-road vehicle, usually ZIL-131. The body of vehicle is divided by a partition into two parts: the hoist compartment and the operator>s cabin. The hoist compartment contains a hoist in the form of a welded frame fastened to the vehicle body. The frame has a mounted drum with a cable wound on it and wired to a 220-380 V power source. The drum with the cable is powered from the vehicle's engine. The length of cable depends on the depth of the oil layer location and can be 4.5 km long.

As regards our work, i.e. cleaning of oil wells from TPAD, a cable of up to 1000 meter-length is used, because such deposits form themselves in wells at the maximum depth of 800 meters from the surface of the earth (head of the well). At lower depths the temperature of the earth, and respectively, of the oil layer is high and oil flows through the well as a uniform mass, and starts to cool down only at the depth of 800 meters by disintegrating into the components such as tar, sulphur and paraffin. The closer the oil is to the head of the well the greater amounts of deposits settle down on the walls of the well; deposits completely clog up the well.

2. Lubricator

This device is designed to assure safety during the oil-well cleaning works. It is a tube with a diameter that corresponds to the one of the well pipe (73 or 89 mm). The lubricator is mounted on the flange of the valve of fountain fittings. The tube has a mounted discharge faucet, designed for reducing pressure in the well, and a valve with an oil seal intended for passing through and sealing of the cable, which is wired to the H-1. Thus, thanks to the lubricator, H-1 placed inside the lubricator has pressure equalized with the pressure inside the well. By heating up to the temperature to 300 degrees, H-1 melts paraffin (melting point 73 degrees) and tar (melting point 123 degrees).

3. SME Mobile Equipment

It is a steam generating mobile equipment with a capacity of 5-7 cubic meter, which has an in-built autonomous heating boiler powered by fuel oil. A compressor, which is a component of the SME, creates pressure up to 320 atmospheres. The SME is necessary for safety during oil-well cleaning works.

4. Mobile Power Station, Special-Purpose Transformer

It is used in the cases where a stationary power source, i.e. a 220-380 V power transfer line, is unavailable. The mobile power station is a motor with a power generator mounted on the motor's shaft. During operation, its rotation is transferred to the generator to produce electric power of variable capacity. To operate H-1 device, a 10-20 KWt 3-phase 380 V power station with a petrol powered carburetor engine is required. A special-purpose transformer is necessary for a quality technological process of cleaning oil wells from TPAD; therefore, our technology enables connection of the H-l device to the geophysical three-core cable of 1000 and 2000 meter-length and more.

On the average, each core of the cable has 37-Ohm resistance per 1000 m, whereas three cores will have 117-Ohm resistance per 1000 m. The H-1 device operates from a 220 V power source. As soon as it is connected to the cable, the electric circuit is closed and the 117-Ohm resistance will cause the loss of voltage, thus, if the output capacity of the device is 2 KWt/h, the voltage at the end of the cable will fall to 120 V. In order to increase the voltage at the end of the cable to the normal operation level of the H-1 device, i.e. 220 V, we have developed and produced a special-purpose step-up transformer with the following parameters: output capacity 7 KWt/h, voltage 700 V, current 7-10 A.

Device for TPAD Heating

The product is designed mainly for heating up TPAD, to the temperature of 80-150°C, which are formed in pipes used for transportation of the products containing the abovementioned substances. The device is designed for operation in the following conditions: pipe diameter 50-100 mm, medium free of calcium deposit impurities, power source voltage 200-250 V;

And frequent fluctuations in the power supply network within the five percent range of the nominal

The H-1 Advantages

Oil wells are cleaned from TPAD by lowering the equipped device suspended on a load-carrying current-conducting cable into the PPP to the depth of the beginning of paraffin-asphalt deposits. Voltage of 220-1000 V enables quick heating of the device to the temperature of 150-40Q°C depending on the nature of deposits, diameter of oil wells, length and type of the current-conducting cable. When the device conies in contact with TPAD, the latter are quickly melting.

The peculiarity of the developed method of oil well cleaning from TPAD consists in full control of the process due to the built-in temperature sensor fixing any changes in the device and due to the special-purpose transformer indicating the voltage and value.

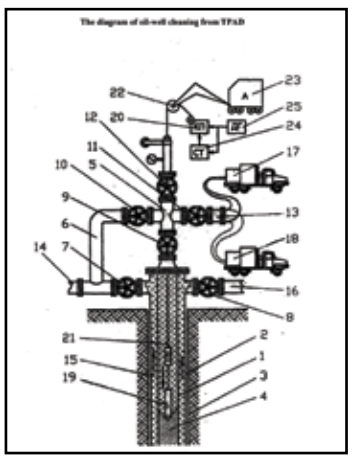
Among the advantages of this method are simplicity, compactness, small weight, cheapness, absolute explosion, fire safety, absence of negative effects on the whole infrastructure of the oil well and the possibility to work with standard unified geophysical equipment. This method is faster than the traditional ones by a factor of 10 and is more efficient economically.

Let's discuss each item by an example. The simplicity of the device consists in a small number of components, one meter height and 15-20 kg weight. The price of this equipment is $1,200,000,

one-day operation costs $25-30 thousands. The disadvantage of this equipment is in the clogging of the oil well with suspended rock particles, which was proved by the tests. As a result, one of two oil wells has been irrevocably turned inoperable.

The explosion and fire safety has been achieved by including the SME that pumps hot water into the oil well to the full depth of the device progress of the device. A water column is pressing the device as an additional weight, thus increasing the speed of its progress, which is also increased by the reduction of the frequency of lifts for removing melted paraffin that flow upwards due to the lesser specific weight of paraffin as compared to that of water. The paraffin are constantly emptied into the discharge reservoir through the drain valve thus adding to the ecological cleanness, thanks to the practical incompressibility of water the device is protected from hydraulic hammer. And, the last advantage of water lies in the fact that by filling the whole length of the well it squeezes out air, thus preventing contact of oxygen with oil.

In the course of long-term operation of oil wells, metal pipes are subject to fatigue of metal, i.e. the strength of metal is reduced, whereas the steam-generating equipment of U.S manufacture delivers steam at high pressure thus increasing the danger of breakage of the integrity of the oil well pipe. The H-1 device has no physical impact on the oil well and does not break its integrity.



Connection of the H-1 device is simple because its head is made in accordance with the standard equipment diameters and threads, i.e. the end-piece of the coring plug can be easily screwed on the head of the device. After coordinating and approving the plan of works of oil well cleaning from TPAD by both Parties, we get down to the practical cleaning of oil wells

Cleaning of PPP of oil and gas wells is carried out by means of the H-l heating electrode device that acts on the TPAD on the principle of point-juncture heating. The equipped device is lowered into the PPP through the PPP-mounted lubricator, suspended on a load-carrying current-conducting cable to the depth where paraffin-asphalt deposits begin. Voltage of 220-700 V will heat up the H-l device to the temperature of 150-400°C (depending on the nature of deposits). When the H-l device comes in contact with TPAD, these deposits will quickly melt and be washed out to the surface of the earth by means of hot water (HW).

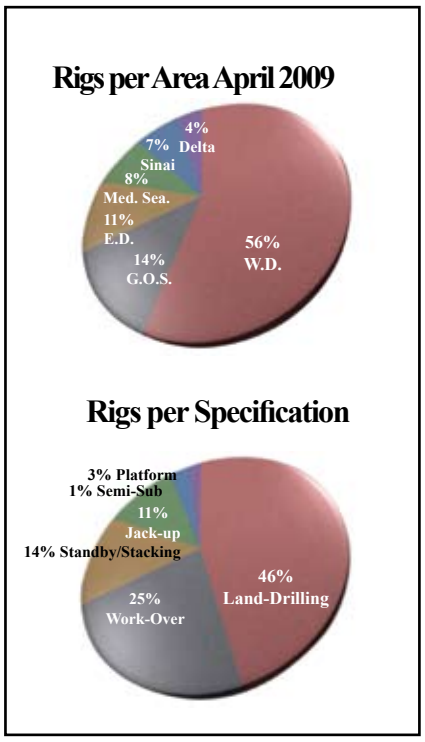
The advantage of this method consists in the simplicity of cleaning, simplicity of the device design (its diameter is 50 mm, length 830 mm, small weight10 kg), absolute explosion and fire safety due to operation of the device in the water media as oil and gas do not burn or explode in the absence of oxygen. Another advantage lies in the absence of negative effect on the whole infrastructure of well, since the metal fusion point is 1780°C, whereas the operating temperature of H-1 device is 450°C. Therefore, the device is harmless as it does not destroy the crystalline lattice of metal. Moreover, the H-l device has the ability to work with standard unified geophysical equipment. This method is ecologically clean due to the use of a lubricator for controlling oil seals that pressurize the current-conducting cable and prevent the emission of melted TPAD onto the ground and into the environment, whereas the whole melted mass is collected in a special capacity or oil-pipeline up to the last drop. As regards, the speed of cleaning is faster than the traditional methods by a factor of 10 and is 1.5 - 2 times more efficient economically.

Industry Statistics

www.egyptoil-gas.com

Table 1 Egypt Rig Count per Area -April 2009

Area	RIG COUNT	Total	Percentage of Total Area
Gulf of Suez		20	14%
Offshore	20		
Land			
Mediterranean sea		11	8%
Offshore	11		
Land			
Western Desert		81	56%
Offshore			
Land	81		
Sinai		10	7%
Offshore			
Land	10		
Eastern Desert		16	11%
Offshore			
Land	16		
Delta		6	4%
Offshore			
Land	6		
Total		144	100%



Source: Egypt Oil & Gas

Average Currency Exchange Rate against the Egyptian Pound (March 2009 / April 2009)			
US Dollar	Euro	Sterling	Yen (100)
5.619	7.477	8.138	5.670

Stock Market Prices (March 2009 / April 2009)		
Company	High	Low
Alexandria Mineral Oils [AMOC.CA]	42.90	34.98
Sidi Kerir Petrochamicals [SKPC.CA]	11.10	8.18

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

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC[5]	World
2008 May	E	8,879	24,606	25,702	**35,898**	85,927
June	E	8,665	24,678	25,773	**36,035**	85,810
July	E	8,764	25,117	26,121	**36,442**	**86,847**
August	E	8,608	24,995	26,014	**36,339**	**85,901**
September	E	7,121	24,634	**25,731**	**35,938**	**84,372**
October	E	8,214	24,554	**25,653**	**35,944**	**85,888**
November	E	8,524	23,776	**24,878**	**35,114**	**85,438**
December	E	8,555	23,148	24,265	**34,270**	**84,150**
2008 Average	PE	8,498	24,344	**25,441**	**35,709**	**85,459**
2009 January	PE	8,731	22,213	23,236	33,120	82,842

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

Source: EIA

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

	Libya	Sudan	Other	World	OPEC[1]	Persian Gulf[2]	North Sea[3]
2008 May	1,700	520	2,510	74,113	**32,660**	22,136	4,051
June	1,700	520	2,485	74,095	**32,785**	22,197	3,667
July	1,700	520	**2,505**	**74,829**	**33,168**	22,610	3,912
August	1,700	520	**2,532**	**73,737**	**33,050**	22,474	3,455
September	1,745	520	**2,531**	**72,824**	**32,690**	22,157	3,755
October	1,745	520	**2,523**	**73,781**	**32,693**	22,077	3,850
November	1,700	520	**2,531**	**73,412**	**32,845**	21,284	**3,989**
December	1,650	530	**2,512**	**72,708**	**32,109**	20,752	**4,007**
2008 Average	1,715	521	**2,512**	**73,781**	**32,468**	21,871	**3,881**
2009 January	1,600	540	2,556	71,686	30,026	19,877	3,909

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

Source: EIA

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

	Algeria	Canada	Mexico	Soudi Arabia	Russia	Former U.S.S.R	United States[1]	Persian Gulf[2]	OAPEC[3]	OPEC[4]	World
2008 May	356	661	371	1,440	419	_	1,908	2,335	2,805	**3,085**	8,078
June	358	629	372	1,440	423	_	1,810	2,345	2,817	**3,098**	7,930
July	359	705	374	1,440	423	_	1,856	2,372	2,833	**3,121**	8,104
August	360	671	363	1,440	426	_	1,839	2,386	2,847	**3,137**	7,932
September	362	662	357	1,440	426	_	1,537	2,342	2,818	**3,095**	7,554
October	363	667	362	1,440	424	_	1,745	2,343	2,821	**3,100**	7,922
November	365	672	349	1,453	421	_	1,734	2,358	2,837	**3,117**	**7,925**
December	350	668	364	1,353	420	_	1,604	2,262	2,726	**3,010**	**7,690**
2008 Average	357	682	365	1,434	422	_	1,781	2,339	2,808	**3,088**	**7,940**
2009 January	350	669	366	1,305	405	_	1,721	2,202	2,668	2,942	7,753

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

Source: EIA

Fig 1

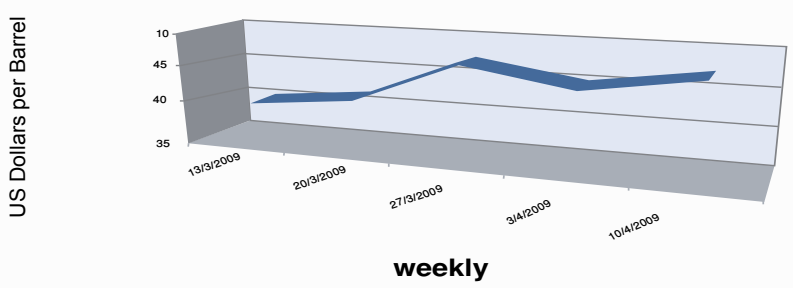


Fig 2

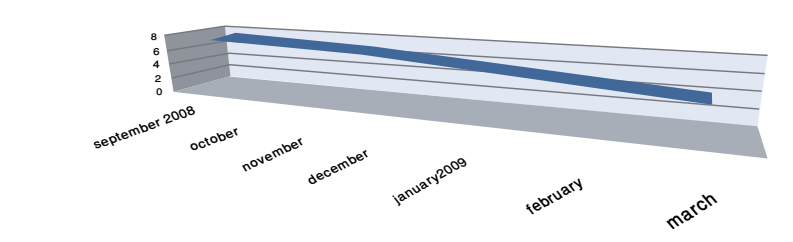


Fig 3

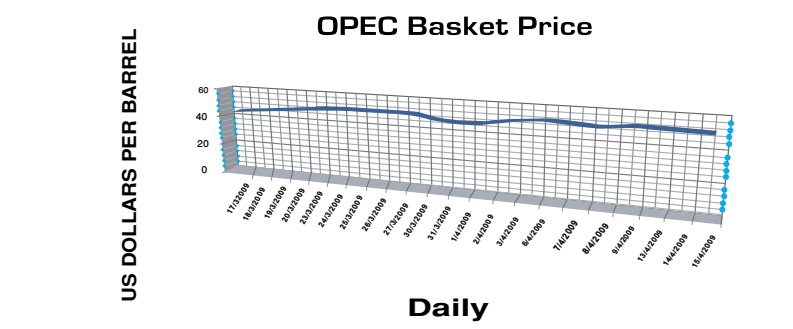


Table 6 International Stock Prices
Mid-March 2009 - Mid-April 2009

International Stock	High	Low
Schlumberger [SLB] NYSE [US Dollars]	46.75	40.62
Halliburton [HAL] NYSE [US Dollars]	18.06	15.47
Exxon Mobil [XOM] NYSE [US Dollars]	70.53	66.09
Atwood Oceanics [ATW] NYSE [US Dollars]	21.44	15.86
Weatherford [WFT] NYSE [US Dollars]	13.3	11.02
Shell [RDS.A] NYSE [US Dollars]	47.36	42.92
Apache [APA] NYSE [US Dollars]	70.65	62.23
Baker Hughes [BHI] NYSE [US Dollars]	34.3	28.55
BJ [BJS] NYSE [US Dollars]	11.66	9.88
Lufkin [LUFK] NYSE [US Dollars]	40.14	29.93
Transocean [RIG] NYSE [US Dollars]	66.82	56.08
Transglobe [TGA] NYSE [US Dollars]	2.86	2.36
BP [BP.] LSE Pence Sterling	478.25	429.50
BP [BP.] LSE Pence Sterling	1130.00	1003.00
Dana Gas [Dana] ADSM US Dollars	0.94	0.56
Caltex [CTX] ASX Australian Dollars	10.18	8.72
RWE DWA [RWE AG ST] Deutsche-Borse Euros	57.50	50.47
Lukoil [LKOH] RTS [US Dollars]	49.00	37.30

Source: Egypt Oil & Gas

Source: Egypt Oil & Gas

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

	France	German	Italy	United Kingdom	OECD Europe[2]	Canada	Japan	South Korea	United States[3]	Other OECD[4]	OECD[1]	World
May	1,851	2,310	1,609	1,620	14,500	2,259	4,448	2,181	19,729	3,601	46,717	NA
June	1,897	2,430	1,588	1,708	14,773	2,295	4,340	1,993	19,553	3,462	46,415	NA
July	1,924	2,623	1,751	1,623	15,327	2,407	4,437	2,028	19,412	3,673	47,284	NA
August	1,855	2,623	1,534	1,576	14,894	2,297	4,174	2,028	19,267	3,505	46,164	NA
September	1,994	2,858	1,680	1,721	15,994	2,326	4,290	2,167	17,796	3,399	45,972	NA
October	2,063	2,855	1,679	1,726	***15,825***	***2,360***	4,337	2,023	19,643	***3,371***	***47,560***	NA
November	1,881	2,596	1,578	***1,709***	***14,910***	***2,326***	4,565	2,059	19,001	***3,301***	***46,163***	NA
December	2,086	2,471	1,653	1,709	15,195	2,320	5,097	2,271	19,199	3,557	47,641	NA
2008 12-Month Average	1,957	2,561	1,630	1,698	15,203	2,324	4,742	2,153	19,419	3,503	47,342	85,523

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

Source: EIA