

InFocus

Financing Egypt's Petroleum Sector

■ **Cheques and Balances**

The government must organize its own internal dealings financially and work for more efficiency if the petroleum sector is to balance its checkbooks.

■ **Intangible Credit**

The ministry of petroleum is relying on its long-standing relationships with investors, but this will not be enough to provide reassurances for current and future investments.

P.14



Technology P.20

Weatherford ZoneSelect™ Fracturing System

Event P.24

The EChem/Petroleum Economist Egypt Petrochemicals Conference

Bullion Market			
GOLD		SILVER	
Price	Percentage	Price	Percentage
1630.66	+2.33%	28.91	+5.70%

Crude Oil			
WTI		BRENT	
USD/BBL	Price	Price	Percentage
	94.17t		+6.99%
	112.28		+9.29%



HIGHLIGHT

Sapesco Wins West El Burullus Services Contracts

P.05

October 2012

Issue 70

28 Pages

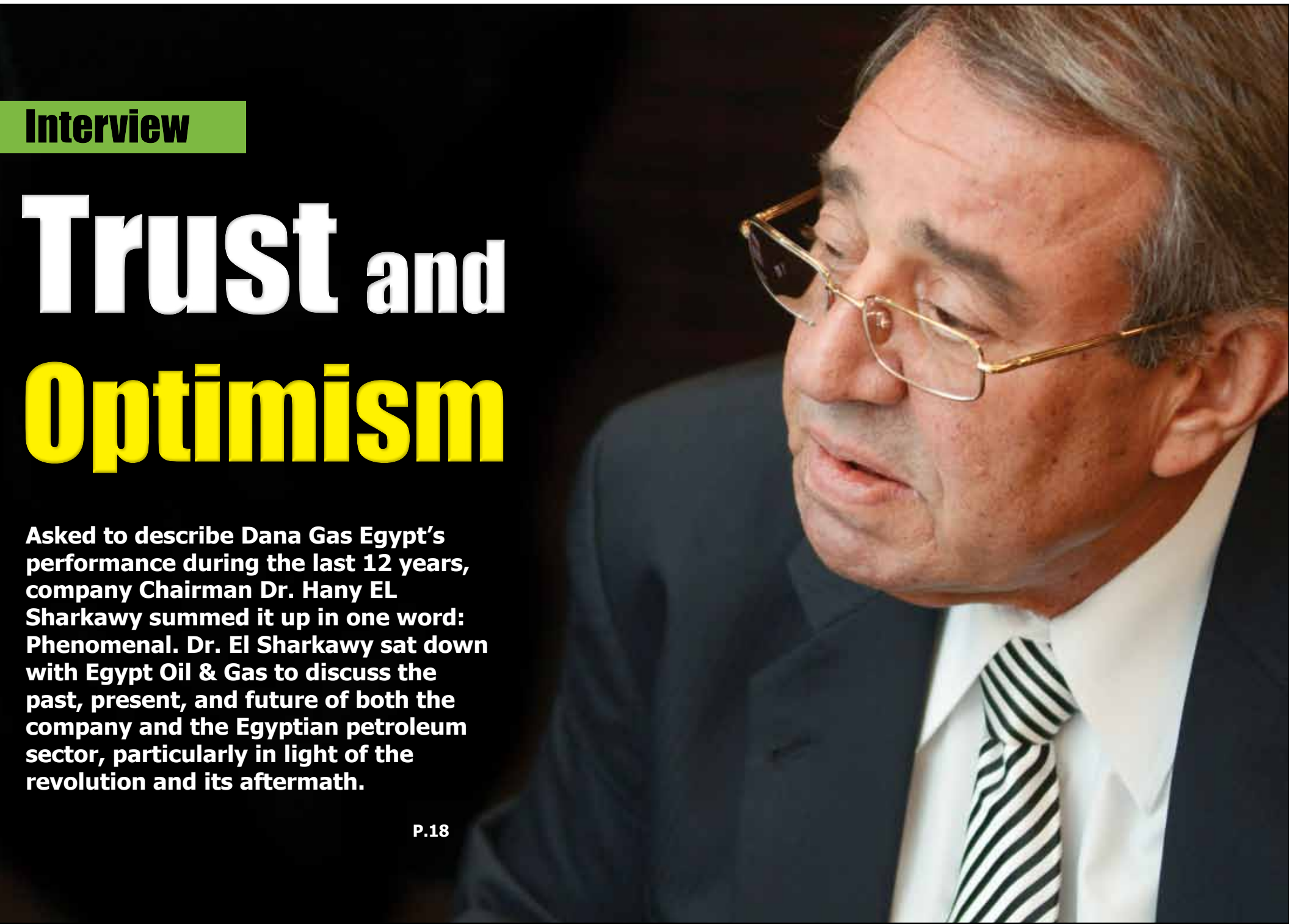
www.egyptoil-gas.com

Interview

Trust and Optimism

Asked to describe Dana Gas Egypt's performance during the last 12 years, company Chairman Dr. Hany EL Sharkawy summed it up in one word: Phenomenal. Dr. El Sharkawy sat down with Egypt Oil & Gas to discuss the past, present, and future of both the company and the Egyptian petroleum sector, particularly in light of the revolution and its aftermath.

P.18



Mediterranean News

New section

Petrobel Continues to Pursue and Develop Gas in the Mediterranean



Belayim Petroleum Company (Petrobel) has concluded the drilling of a new development well and two new exploratory wells in the Mediterranean Sea, in the context of the current drilling plan adopted by the company.

Petrobel's recent drilling activities are the latest in the company's quest to develop natural gas resources in the Mediterranean.

P.08

Political Review

Strikes Continue to Hit Egypt's Petroleum Companies

Ever since the eruption of the revolution, protests and strikes have been the most effective mechanism for Egyptians to display frustrations and grievances born of the deteriorating conditions. The petroleum sector has been no stranger to these incidents, which dent productivity.



P.16

The Beginning and the End

It is the nature of all human endeavors that all things must end. Whether a dream or a nightmare, a success story or a fall from grace, all of our experiences and efforts as well as joys and sorrows must reach a conclusion. Wisdom is to accept the end result and remember the lessons learnt without dwelling on the failures or clinging to past glories.

As Egypt's petroleum sector pushes its way through tough times, it contemplates new horizons under a new administration. A phenomenal Mediterranean prospect, untapped potential in Unconventionals, and a slow move towards a new way of doing things all prompt us to look forward with hope. Yet we must not deny the successes of the past, regardless of the mistakes, nor should we fear new beginnings as a sign of great things ending.

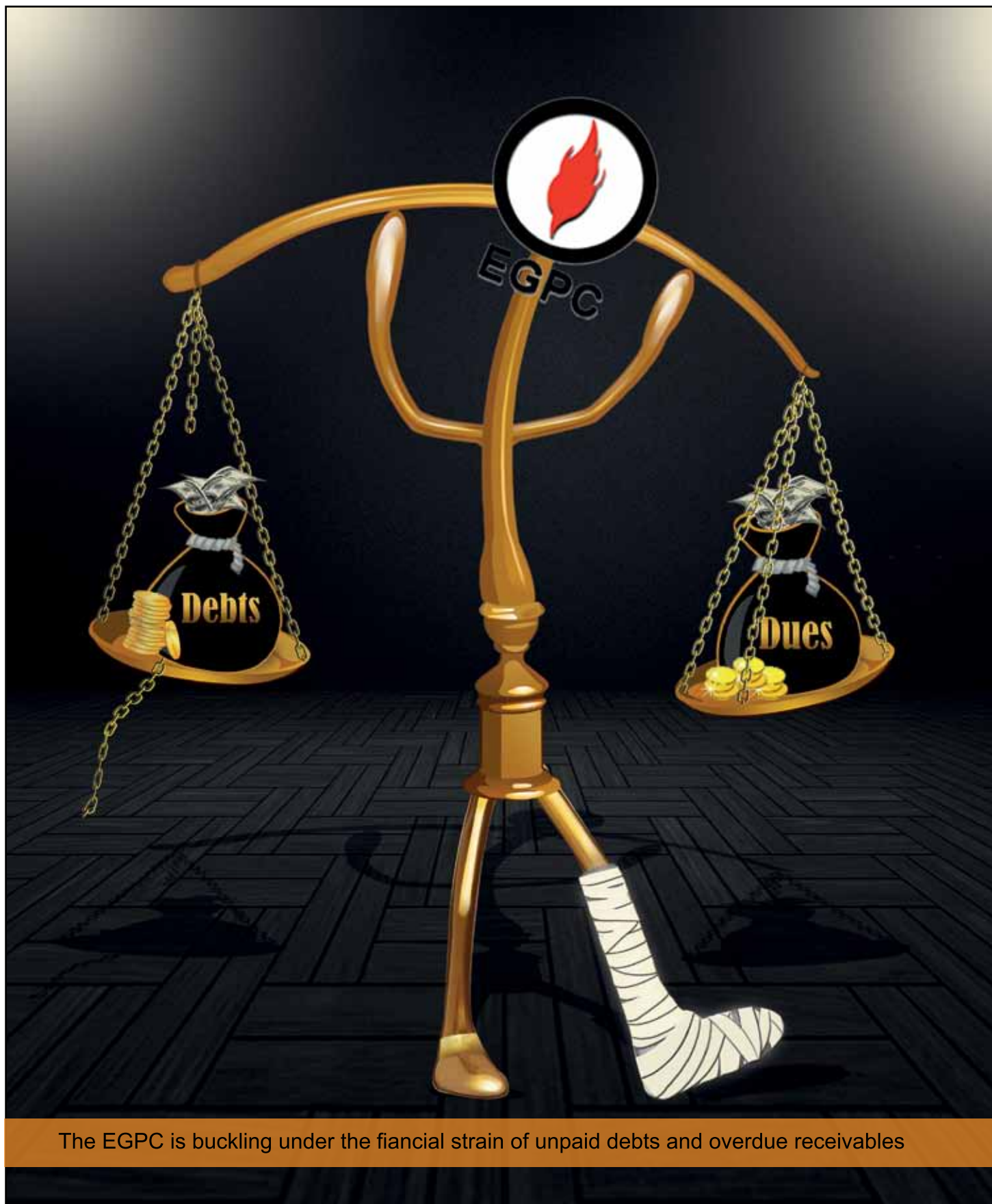
These are lessons we would all do well to heed. We all go through experiences that scar us, teach

us, and at times make us yearn to go back to them, to spend one more day in the embrace of friendship and comfort. Yet we must take it in our stride and meet our destiny. Nevertheless, while the times that passed cannot be relived, the bonds created do not have to be broken, and we can carry the happiness with us forever.

I would like to thank Egypt Oil & Gas and everyone in it past and present for being my teachers, friends, and family. Soon I will no longer be working at Egypt Oil & Gas, but I will always be a member of the Egypt Oil & Gas team. I will never forget what you have all done for me, and I will carry you with me forever.

Ahmed Maaty

Managing Editor



The EGPC is buckling under the financial strain of unpaid debts and overdue receivables



Managing Editor
Ahmed Maaty
amaaty@egyptoil-gas.com

Staff Writers
Ahmed Farahat
Noha Abouzeid

News Reporter
Wael El-Serag

Contributor
Ethar Shalaby

Media & Statistics Monitoring
Webmaster
Ayman Rady

Business Development Officers
Ayman Hussien
Haitham Zoufakar

BD USA Correspondent
Clarissa Pharr

Customer Feedback Service Manager
Passant Fadl

Database Coordinator
Hanan Naguib

Art Director
Omar Ghazal

Senior Graphic Designer
Maged Makram

Cartoonist
Mai Gamal

Administrative Assistant
Basma Naguib

Assistant Managing Director
Menna Rostom

IT Specialist
Sameh Fattouh

Production Advisor
Mohamed Tantawy

Financial Manager
Abdallah Elgohary

Accountant
Mahmoud Khalil

Legal Advisor
Mohamed Ibrahim

Publisher
Mohamed Fouad

This publication was founded by
Omar Donia, Mohamed Sabbour
and Mohamed Fouad

All rights to editorial matters in the newspaper are reserved
by Egypt Oil and Gas and no article may be reproduced or
transmitted in whole or in part by any means without prior
written permission from the publisher.

Contact Information:

Tel: +202 25164776
+202 25172052

Fax: +202 25172053

E-mail: info@egyptoil-gas.com
www.egyptoil-gas.com

IEMS services are designed to provide environmental and marine services in line with Egyptian legislation, international conventions and client's needs. Our services combine experience in managing pollution response with national and international professional companies, creating a network of specialized and non-specialized services.



International Environmental & Marine Services



Rental Services

Rental of Oil Spill Response equipment, materials and personnel, either through a retainer insurance system and/or bespoke lease-out contracts.



Environmental Solutions

The operation Environmental Solutions Centers (first based in Abu Qir), which enables companies to outsource their oil spill response capabilities to IEMS. Moreover, the centers will be able to reach any offshore installations within the required timeframe in the case of an emergency.



Training Services

The promotion of awareness and reaction capabilities in oil spill preparedness and response through dedicated training and exercise programs built in Egypt and tailored for specific clients.

Providing Quality Solutions

Villa 85, Street 45, 2nd District, Zone 4,
5th Settlement, New Cairo, Cairo, Egypt.

Tel : +20 2 26161178
Fax : +20 2 26161179

E-mail : info@iemseg.com
Web : www.iemseg.com

Agiba Concludes New Drilling Operation

Agiba Petroleum Company has completed the drilling of a new developmental well in the company's concession area in the Western Desert.

Egypt Oil and Gas has learned that the AMAN S-2, an oil-producing well located in the Shoushan Sub-basin, Northern Egypt basin, was drilled using the ST-8 rig to a depth of 6,300 feet. Agiba invested \$720,356 in its drilling.

The company's production rate of crude oil and condensates

reached 1,331,187 barrels in August 2012, while its natural gas production stood at 63,339 barrels of oil equivalent during the same month.

Agiba is a joint-venture company that includes Eni with 28%, Lukoil Overseas with 12%, the International Finance Company (IFC) with 10%, and the Egyptian General petroleum Corporation (EGPC) holding the remaining 50%.

Apache Plugs and Abandons Siwa Well

American company Apache Corporation has plugged and permanently abandoned a new exploration well located in the company's Siwa block in the Western Desert after concluding drilling operations for the well.

The new SIWA-F-1X well was drilled using the EDC-1 rig to the depth of 16,293 feet, at a cost of \$5.233 million. The company has permanently abandoned the well after it was deemed uneconomical.

The Siwa concession is located in Egypt's Northwest, close to the

border with Libya.

Apache Corp. is an oil exploration and development company with operations in various countries including the US, Australia, Canada, Argentina, the UK, and Egypt. The company produces an approximate 265,000 barrels of oil and 1.5 billion cubic feet of natural gas per day.

The company operates in Egypt through Khalda Petroleum and Qarun Petroleum, both of which are jointly owned by the Egyptian General Petroleum Corporation (EGPC).

Bapetco Drills Western Desert Development Well

In consistence with its development plan for the current fiscal year, Badr El Din Petroleum Company (Bapetco) has concluded the drilling of a new exploratory well in its fields in the Western Desert.

BED 3-C4 well is an oil-producing well located in the Badr El Din 03 development lease, Abu Gharadiq Basin. The well was drilled to a depth of 13,741 feet via the EDC-51 rig with investments totaling \$2.960 million.

The company's production rates during the month of August 2012 stood at 1,185,549 barrels of crude oil and condensates, while its natural gas production stood at 2,109,643 barrels of oil equivalent during the same month.

Badr El Din petroleum is a joint venture company between the Egyptian General Petroleum Corporation (EGPC) and Royal Dutch Shell.

Dana Gas Hits Dry Hole in Eastern Desert; Eyes EGAS Bid Round

Dana Gas has plugged and permanently abandoned an exploration well, after concluding its drilling in the company's Komombo concession in the Eastern Desert.

The FARIS-1 exploratory well was drilled in the Komombo concession in Upper Egypt using the ECDC-1 rig to the depth of 6,785 feet. Drilling expenditure in the well, which was abandoned as a dry hole, amounted to \$1.098 million.

Dana Gas has revealed that it is contemplating submitting a bid in the new Mediterranean-focused EGAS bid round.

"We will look into the bid

round, but if we do end up submitting a bid, it will most likely be in partnership with other companies, which is very common in the industry" said Dr. Hany El Sharkawy, Chairman of Dana Gas Egypt.

Dana Gas operates in the Nile Delta and Gulf of Suez regions of Egypt, as well as in the Kurdistan region of Iraq.



West Bakr Continues Eastern Desert Drilling

The West Bakr Petroleum Company has concluded the drilling of a new development well in the company's concession area in the Eastern Desert.

Egypt Oil and Gas has learned that the M-18 well was drilled to a total depth of 5,837 feet, using the EDC-62 rig. Drilling expenditure in the well, which was abandoned as a dry hole, amounted to \$810,000.

West Bakr Petroleum is a joint venture between the Egyptian General Corpo-

ration (EGPC) and US-based operator TransGlobe Energy Corporation. It was established after the latter's recent acquisition of the West Bakr concession, which includes three fields.



El Hamra Drills Oil-Producing Well in Western Desert

El Hamra Oil Company has concluded drilling operations for the AL-41 well, an oil-producing development well located in the Western Desert.

The operation entailed a cost of \$2.180 million, and the ZJ-50 rig was contracted to drill the well, reaching a total vertical depth of 6,710 feet. The well is a producer of crude oil and has been placed on stream by the company.

The company's production rate of crude oil and condensates reached 88,640 barrels in August 2012.

El Hamra is jointly owned and op-

erated by the Egyptian General Petroleum Corporation (EGPC) and Canadian oil conglomerate IPR Group.



Khalda Maintains Western Desert Developmental Drilling

Khalda Petroleum Company has concluded the drilling of four new developmental wells. The drilling operations occurred in the company's fields in the Western Desert as part of its current development plan.

The UNAS-3 well is an oil-producing well located in the Shoushan Sub-basin, Northern Egypt Basin. It entailed investments of \$1.127 million. The drilling operation was conducted using the EDC-61 rig to a depth of 8,812 feet, and the well has yet to be placed on stream.

The MEGHAR-2 well was drilled to the depth of 11,894 feet utilizing the ST-10 rig, at a cost of \$2.178 million.

The well labeled W.KAL-I-6 ST-1, which is an oil-producing development well, is located in the Kalabsha West I field. It was drilled to a

depth of 14,900 feet using the ST-5 rig. Drilling expenditure in the well amounted to \$2.722 million, and it has not yet been placed on stream.

The KAH UC-171 well, drilled in the Kahraman C/South field, Shoushan Sub-basin, reached a depth of 11,072 feet via the ST-2 rig. The operation resulted in costs of \$846,189, and the well has also yet to be put on stream.

The company's production rate of crude oil and condensates reached 4,248,838 barrels in August 2012, while its natural gas production stood at 4,902,321 barrels of oil equivalent during the same month.

Khalda is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and American oil firm Apache Corporation.

Dapetco Exploratory Well Hits Dry Hole in Western Desert

South Dabaa Petroleum Company (Dapetco) plugged and abandoned an exploration well in the South Dabaa concession, Western Desert, after encountering uneconomical amounts of crude oil.

The NE SD 2-1 well, located in the Northeast of the South Dabaa acreage, was drilled to a depth of 6,398 feet. The EDC-10 rig was deployed for the operation.

The company's production

rate of crude oil and condensates reached 253,290 barrels in August 2012, while its natural gas production stood at 127,679 barrels of oil equivalent during the same month.

Dapetco is an equal-interest joint venture between the Egyptian General Petroleum Corporation and Tunisian oil firm Hadi Bouchamaoui, which operates in the South Dabaa acreage.

Guest Column

Enhanced Oil Recovery

There are several types of crude oil, each with its own specific characteristics and production costs. When it comes to oil extraction, several variables come into the equation, presenting disparities between different types of oil, different reservoirs, and even different wells within the same reservoir. Oil producing countries constantly strive not only to consistently make discoveries, but also to maintain a high recovery factor for fields already in production.

The recovery factor is the percentage of recoverable resources from the overall resources present in any given reservoir; it is impossible to achieve a 100% recovery rate.

Primary recovery methods only yield approximately 25% of the resources available in a reservoir on average, prompting companies to pursue other means of exploiting the remaining 75%. This is known as Enhanced Oil Recovery, a concept aimed at maximizing oil recovery from a reservoir.

The first stage of Enhanced Oil Recovery is Secondary Recovery, which includes techniques such as water injection, gas recycling and horizontal drilling. This stage usually boosts the recovery rate by about 20%. The second stage of Enhanced Oil Recovery is known as Tertiary Recovery, which includes techniques such as gas injection as well as the use of chemicals, varying temperatures, and microbes. This pushes the recovery rate further up by roughly 10% in most cases.

To put it simply, Enhanced Oil Recovery describes any means used to further boost petroleum recovery from a reservoir after the forces of nature have been exhausted to this end.

In order to develop and make use of Enhanced Oil Recovery techniques, investments have to be secured, and abundant attention has to be directed towards cultivating the right expertise and developing the right technologies. Enhanced Oil Recovery operations are affected by several economic factors, at their forefront the ever-changing price of oil and including the general political and economic climate of the oil-producing country.

Sufficient capital also has to be secured, and it is necessary that investors have the will to pursue this development and are aware and accepting of the risks it entails, as these techniques do not produce fast results, but rather need abundant time in order for their effectiveness to be adequately judged. A country looking to develop Enhanced Oil Recovery usage needs to take these factors into account.

By Eng. Lotfi Ramadan

General Manager of Oil Production Plans EGPC

Qarun Utilizing Hydraulic Fracking; Conducts Several Operations

Eng. Abdelkhaleq Megawer, Assistant Chairman for Exploration at Qarun Petroleum Company, revealed that the company has been successfully utilizing hydraulic fracturing to boost production for several years, particularly in the South Bahariya and Bani Suef areas.

This is applied to low-producing layers such as the Upper Bahri Sands and Upper Abu Roash G units, resulting in a significant rise in production from these layers.

The company also makes use of water injection wells in more heavily depleted reservoirs, which results in an increase of 15%-30% in recoverable reserves.

“The use of hydraulic fracturing and water injection techniques multiplies recoverable reserves of crude oil and therefore production” said Eng. Megawer.

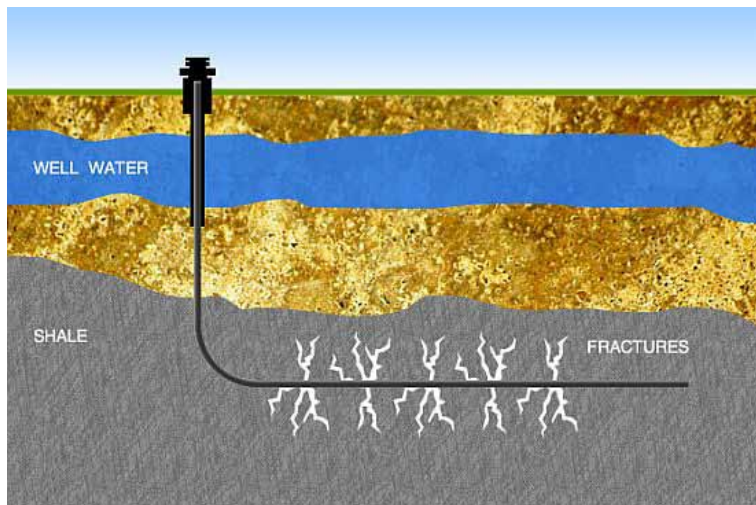
In recent drilling activity, Qarun has completed the drilling of four new developmental wells, SAMRA E-15, HEBA-453, Asala-56, and BENI SUIF-14 in its fields in the Western Desert.

SAMRA E-15 was drilled to a total depth of 5,550 feet, via the EDC-64 rig, accumulating investments of \$1 million.

HEBA-453 was drilled to a total depth of 6,830 feet, utilizing the EDC-63 rig. The operation’s investments reached \$606,290, and the well has yet to be added to the company’s overall production.

Asala-56 was drilled to a depth of 8,580 feet via the PD-1 rig with investments of \$651,500, and was put on stream.

BENI-SUEF-14, an oil-producing well, was



drilled to a depth of 7,400 feet using the EDC-47 rig, an operation which entailed costs of \$1.325 million.

The company is currently in the process of developing the Heba-10x and Heba-500x discoveries through the drilling of production and water injection wells, and is looking to expand the new Woc-c discovery by drilling a fresh exploratory well labeled Woc-3x.

Confirmed reserves-in-place for the new discovery amount to 6.5 million barrels, including in the Abu Roash G unit. Oil discovered in the area includes high-grade crude (42 degrees) and medium-grade crude (25 degrees).

Qarun is also conducting 3D seismic surveying in a 1200km area in Bani Suef in order to determine the geological make-up of the area and begin exploration drilling, and the company has completed 80% of the surveying operation.

The company’s production rate of crude oil and condensates reached 1,694,392 barrels in August 2012.

Qarun is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and American company Apache Corporation.

New Eastern Desert Well by Dublin

Dublin International Petroleum has concluded the drilling of a new developmental well in its concession area in the Eastern Desert.

Egypt Oil and Gas has learned that the MESEDA H-2 oil-producing well was drilled to a depth of 4,820 feet using the SHAMS-1 rig. The opera-

tion’s investments reached \$566,000. The well will be added to the company’s overall production.

Dublin operates in the West Gharib concession and is a wholly-owned subsidiary of US-based company TransGlobe Energy.

El Mansoura Hits Gas with Delta Well

El Mansoura Petroleum Company has successfully encountered gas play after drilling an exploration well in the Delta area, in the context of the company’s current drilling plan.

The well, labeled E. Dikirmis-1, was drilled to a depth of 7,700 feet, utilizing the EDC-9 rig at a cost of \$1.322 million. It showed an initial flow rate of natural gas.

The company’s production rate of crude oil and condensates reached 94,368 barrels in August 2012, while its natural gas production stood at 627,673 barrels of oil equivalent during the same month.

El Mansoura is a subsidiary of British oil and gas company Melrose Resources and the Egyptian General Petroleum Corporation (EGPC).

Sapescos Wins West El Burullus Services Contracts

Sapescos Offshore Services (SOS) recently secured a Gaz De France (GDF) deepwater site survey services tender to cover site-surveying activities in the West El Burullus concession in the Mediterranean Sea.

The program includes 3 campaigns for Analogue/Digital site surveys, one of which has already been finalized by SOS successfully ahead of schedule.

SOS has also won a rig-positioning contract for GDF to cover positioning activities for the same concession.

Choice Words



“Local demand of petroleum products increased by 28% in the last 5 years, which unfortunately has not been met with corresponding economic growth.”

Dr. Hisham Qandil, Prime Minister



“Exploration success rates in Egypt are higher than the global average.”

Eng. Osama Kamal, Minister of Petroleum and Mineral Resources



“The rumors about the elimination of 92-octane fuel subsidies are unfounded, at least at the moment.”

Sherif Ismail, Chairman of GANOPE, to Egypt Independent.



“Subsidized butane gas cylinders would be distributed via a system of smart cards and coupons. We would thereby save some 80% to 90% of the subsidies.”

Mahmoud Nazim, Petroleum Ministry Undersecretary, to Al Masry Al Youm Electronic Gateway.



“The project is expected to produce 40% of Egypt’s natural gas output.”

BP’s Chief Executive Robert Dudley, commenting on BP’s \$11 million Mediterranean project.

Petrodara Production Shows Shifts

Petrodara Petroleum Company's production indicators for the six months between March 2012 and August 2012 show relative shifts.

The company's production during the designated analysis period averaged 374,510 barrels per month. Production was at its lowest point in the month of April, at 361,890 barrels of crude oil and condensates, while the highest point of production was in the month of July in which 390,320 barrels were produced.

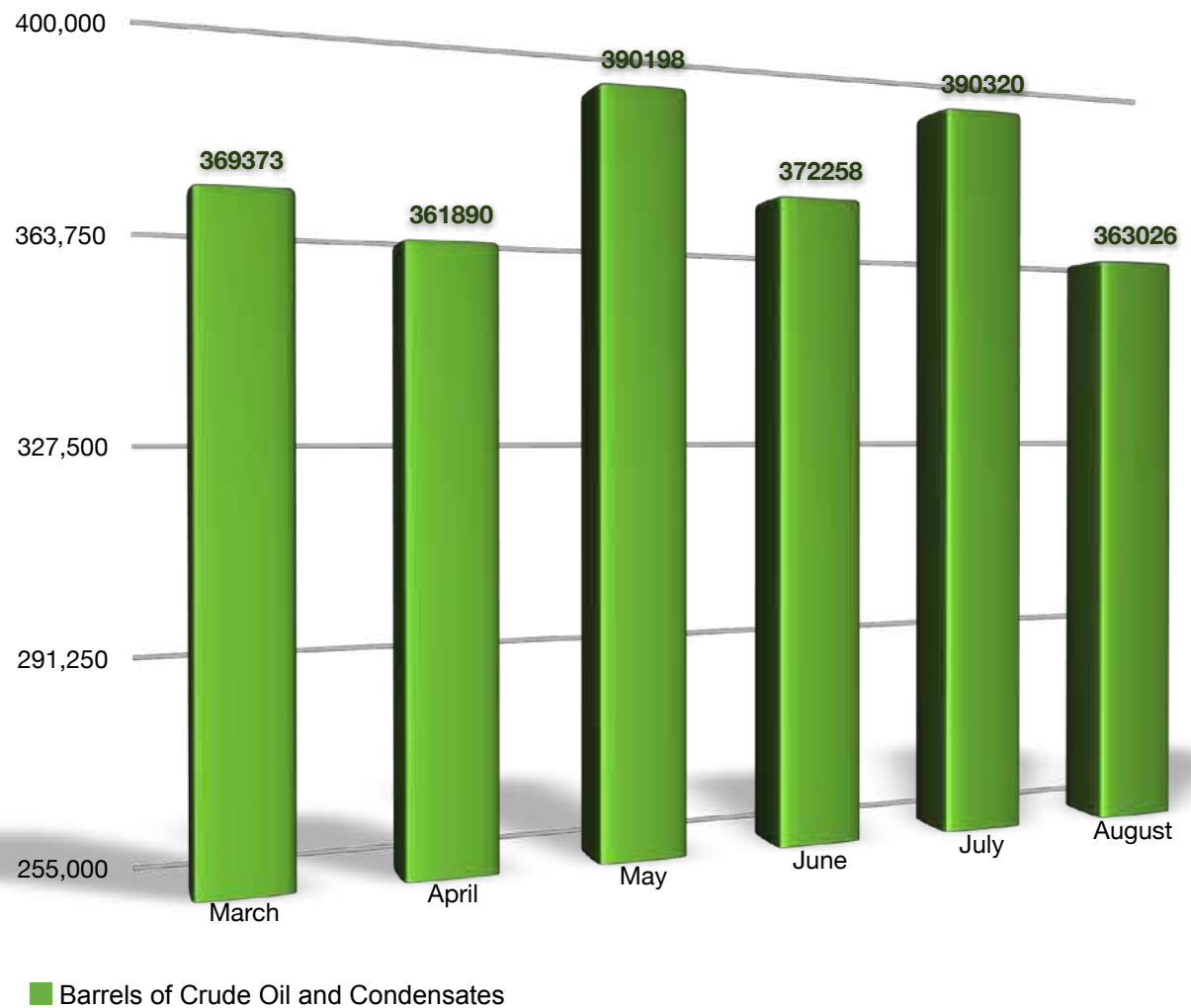
In recent drilling activity, Petrodara has concluded the drilling of a new developmental well in its Arta East development lease in the Eastern Desert, which comes in the context of its current drilling plan.

The new E.ARTA-40 well was drilled in the Arta East field onshore the Gulf of Suez, using the ST-7 rig. Drilling reached a total depth of 5,850 feet, at a cost of \$959,000. The well has yet to put on stream.

The company's production rate of crude oil and condensates reached 36,3026 barrels in August 2012.

Petrodara is a joint venture between the Egyptian General Petroleum Company (EGPC) and TransGlobe Energy subsidiary Dublin International Petroleum.

Petrodara Production indicators March-August 2012



Oapco Production Waning

Oasis Petroleum Company (Oapco) Oapco's numbers have witnessed gradual decrease in production numbers for the six-month period from March 2012 to August 2012.

During the selected analysis period, production was at its lowest point in the month of June, at 70,140 barrels of crude oil and condensates, while the highest point of Oapco's production was in the earliest month of March in which 86,763 barrels were produced.

The company's production numbers during the abovementioned period averaged 77,057 barrels per month.

In recent drilling activity, Oapco has drilled an oil-producing development well, labeled WQ-18, in the Western Desert.

The drilling operation,

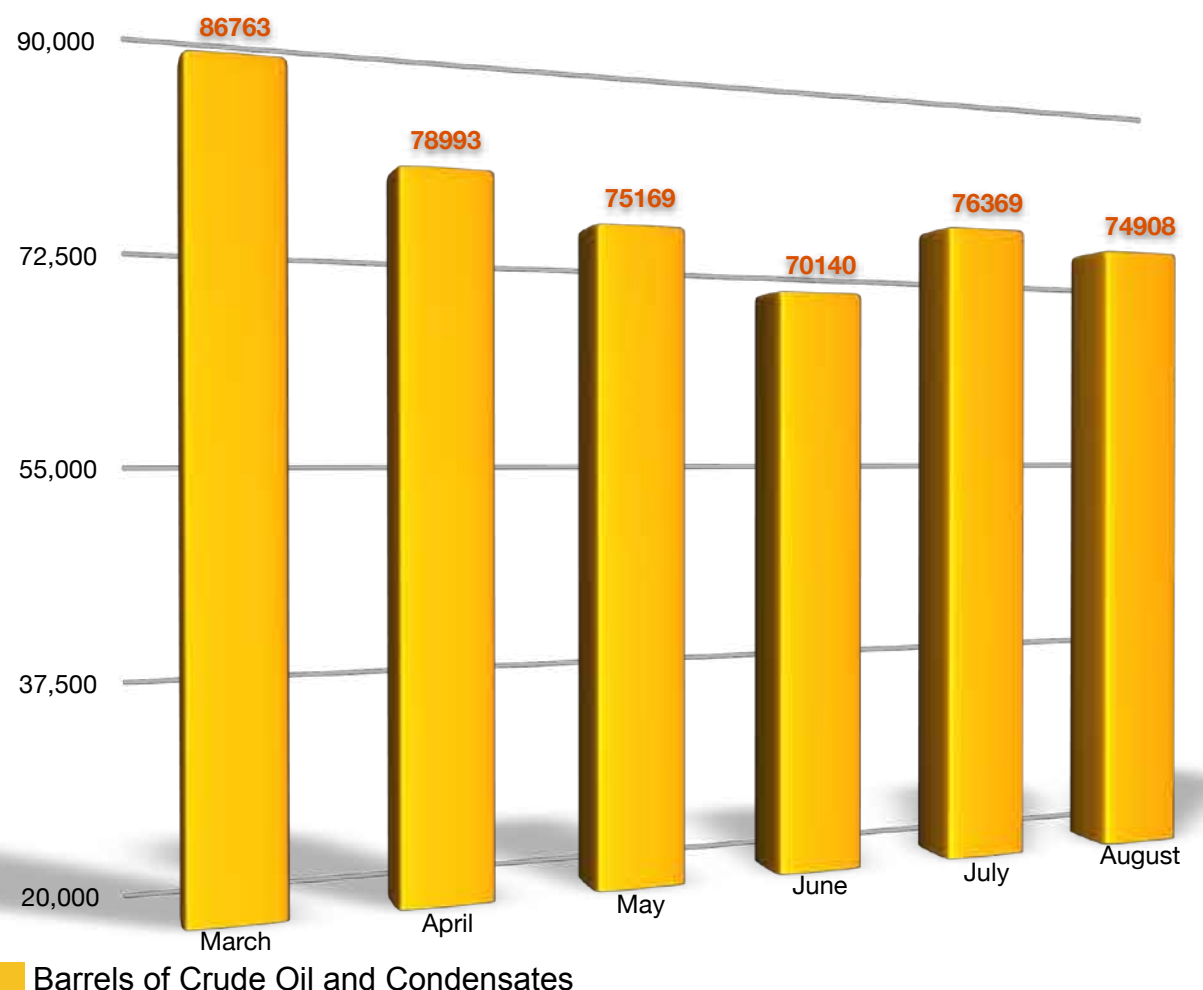
which was conducted using the PDI-104 rig, entailed costs of \$4.892 million. The well was drilled to a total depth of 7,250 feet.

WQ-18 is located in the Qarun West development lease, Abu Gharadiq Basin, and has been put on stream in order to boost the company's crude oil production rates.

The company's production rate of crude oil and condensates reached 74,908 barrels in August 2012.

Oapco, which is also developing the Karama lease, is a 50%-50% joint venture between the Egyptian General Petroleum Corporation (EGPC) and Egyptian private oil firm Sahari Oil Company.

Oapco Production indicators March-August 2012



PICO 4; A PRESENT SUCCESS TO FUTURE EXPANSION OF OFFSHORE JACKUPS AND WELL INTERVENTION . . .

PICO 4 is one of the largest fully equipped, self elevating and self propelling work over platforms in the world. With its unique features including Dynamic Positioning, SNAME (Weather resistant) compliance, independent jacking systems, 400 tons cranes and accompanied by all the required equipment for well maintenance and intervention; it will provide a solution partner fully equipped with the highest safety standard equipment to safe well intervention, and full fledged facilities on board to assure the quality of the services it can provide including milling, short-interval drilling jobs, stimulations, changing completions, and more.



24 Wadi El Nile Street Maadi, Cairo - Egypt
Tel : +202 7688100 Fax: +202 27688130
www.picoenergy.com



Shoeib: Mediterranean Contributes 67% of Egypt's Total Gas Output, More Investments Imminent

Eng. Mohamed Shoeib, Chairman of the Egyptian Holding Company for Natural Gas (EGAS), revealed that Mediterranean Sea production makes up roughly 67% of Egypt's overall natural gas production, which amounts to more than 6 billion cubic feet of natural gas per day.

He pointed to the fact that 13 of the 15 blocks offered in the new EGAS bid round are located in the Mediterranean as evidence of further development ahead in the area.

Speaking in the context of reviewing the company's activities during the 2011/2012 fiscal year, Eng. Shoeib disclosed that 19 exploration and appraisal wells had been drilled resulting in six discoveries, four of them in the Mediterranean Sea and two in the Nile Delta.

He added that nine development projects had been undertaken and 42 development wells drilled, with a production rate of 928 million cubic feet of natural gas and 5,310 barrels of condensates per day.

Eng. Shoeib also revealed that local consumption of natural gas had reached 5 billion cubic feet per day, a year-over-year

increase of 11%. Electricity accounts for 58% of local consumption, while industrial use makes up 27%. Domestic use (12%) and vehicle fuel (3%) round up the list.

Egypt's national natural gas grid has recently been upgraded through five projects, at a total cost of LE1.9 billion. The network now extends over 18,000km.

Eng. Osama Kamal, Minister of Petroleum and Mineral Resources, has recently declared that priority is to be given to exploration and production of natural gas in order to meet local demand.

The minister announced the ministry's intention to issue several bid rounds for exploration and production in the coming period in order to intensify upstream activity.

Last month, a meeting was held between Eng. Kamal and several heads of American petroleum corporations, during which the minister highlighted the importance of American investment in the Egyptian petroleum sector in the coming period, with particular emphasis on exploration activity in the Mediterranean deepwater.

Mediterranean Statistics

Production

Oil

Barrel

August-10	August-11	August-12
N/A	N/A	N/A

Condensate

Barrel

August-10	August-11	August-12
1509288	1444785	1171055

Equivalent Gas

Barrel

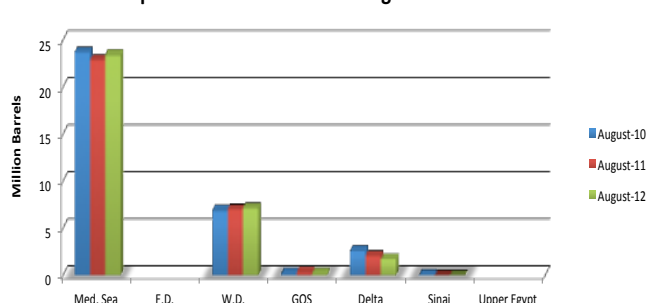
August-10	August-11	August-12
23727679	22908036	23458571

Liquefied Gas

Barrel

August-10	August-11	August-12
372741	370610	371488

Equivalent Gas Production August 2010 - 2012



Mediterranean Rig Count 2012

Total	Percentage of Total Rigs
9	8 %

Petrobel Continues to Pursue and Develop Gas in the Mediterranean

Belayim Petroleum Company (Petrobel) has concluded the drilling of a new development well and two new exploratory wells in the Mediterranean Sea, in the context of the current drilling plan adopted by the company.

Sources revealed that Petrobel drilled the DENISE-7 ST-1 development well to a depth of 7,300 feet using the AL QAHR-1 rig. The well is located in the Denise development lease, Nile Coastal/Deep water Sub-basin in the Nile Delta Basin. The operation's investments amounted to \$20.146 million and the well has already been put on stream.

The exploratory wells SETH SOUTH-1 ST-1 and TEMSAH SE-1 were also drilled offshore the Nile Delta.

The SETH SOUTH-1 ST-1 well, located in the Seth lease, was drilled by the company to a depth of 6,024 feet, utilizing



the SCARABE-4 rig. Drilling expenditure in the well, which was abandoned as a dry hole, amounted to \$22 million.

The TEMSAH SE-1 well was drilled by the company in the Tensah field. It reached a depth of 15,410 feet, via the AL QAHR-2 rig. Drilling expenditure in the well, which was also abandoned as a dry hole, reached \$27 million.

Petrobel's production rate of crude oil and condensates reached 3,754,977 barrels in August 2012, while its natural gas production stood at 9,013,619 barrels of oil equivalent during the same month.

The company is joint venture between the Egyptian General Petroleum Corporation and Italian company Eni.

Rashpetco in Heavy Mediterranean Activity

Rashid Petroleum Company (Rashpetco) has revealed plans to drill two new offshore exploration wells in the Mediterranean Sea in the coming period, Septer1 and Mainot.

Eng. Haidar Saad, Assistant Chairman for Exploration at the company, revealed that the Septer1 well will be drilled in the current month, at an expected cost of \$45 million. The well is predicted to boost production by 425 million cubic feet per day.

The Mainot well is planned to be drilled in the year 2013 at a projected cost of \$60 million, and will add roughly 600 million cubic feet of natural gas in daily production according to the company. The well is to be drilled in the Miocene layer using the Ocean Endeavor rig.

Eng. Saad also disclosed that three of the nine wells designated for phase 9A of the company's drilling plan had already been completed, increasing production by approximately 500 million cubic feet per day. The three completed wells are labeled Sama, Libra, and Cparw.

Rashpetco is using Pre-stacked Depth Migration (PSDM) technology to reassess seismic data already gathered since

2006, revealing new geological formations.

In recent drilling activity, Rashpetco has concluded the drilling of a new developmental well in its concession area in the Mediterranean Sea

Sources revealed that SIMIAN Db, an oil-producing well, was drilled using the AMIRANTE rig to the depth of 6,861 feet. Rashpetco invested \$20.091 million in operational costs. The well is located in the Simian field, Nile Deep/Coastal Water Sub-Basin, Nile Delta Basin.

The company's production rate of crude oil and condensates reached 7,738 barrels in August 2012, while its natural gas production stood at 1,971,607 barrels of oil equivalent during the same month.

Rashpetco is a joint venture company that includes the General Petroleum Corporation (EGPC) with 50%, British Gas with 40% and Edison with 10%.

BG joint-ventures Rashid and Burullus Gas Company, which fall under the same administration, contribute with roughly 33%-35% of Egypt's total natural gas output.

Mediterranean Fact

The first natural gas discovery made in the Mediterranean Sea in Egypt was made via the Roseta-2 well, which was drilled in August 1968 by the International

Oil Company. The operation proved the existence of natural gas in the area, after drilling in the Miocene layer to a total depth of 12,000, using the Scorpion rig.

SAPESCO's zealous commitment to excellence offers the highest caliber of human resources, the most innovative and sophisticated technologies while placing paramount emphasis on Health, Safety and the Environment.

SAPESCO[®]
SAHARA PETROLEUM SERVICES



Excellence Within Your Reach

www.sapesco.com

With 30 years of experience in petroleum services, **SAPESCO** provides a myriad of cutting-edge solutions that caters to the growing demands of the industry. Our expansive presence in the MENA region, the Gulf and Kurdistan provides a pivotal hub that ensures an accessible, reliable and timely delivery of an unparalleled quality of services.

Well services

Offshore services

Measurement Services

Tool services

Industrial Services

Exploration Services

New Oil and Gas Discovery in Algeria by E.ON

E.ON E&P and Sonatrach made a new discovery in the Eastern Algerian Sahara Desert. The two firms made their seventh oil and gas discovery in the Rhourde Yacoub license.

The companies completed the drilling and testing of an exploration well, the NEY-1 well, on block 405a in the Rhourde Yacoub license, located in the Eastern Algerian Sahara, around 250 km southeast of Hassi Messaoud.

"We are very pleased with another discovery of oil and gas in Algeria. The results of this well are

very encouraging and we will now enter a phase where we will drill several wells over the next two years to evaluate the extension of the discoveries," said Hubert Mainitz, Managing Director MD of E.ON E&P Algeria.

"The discoveries in Algeria are important steps for our growing upstream business in E.ON. The success of Rhourde Yacoub and our decision to continue further drilling highlights our commitment to invest in attractive projects in Algeria," says Frank Sivertsen, CEO of E.ON E&P.

The Rhourde Yacoub license is operated by E.ON E&P with an equity share of 49%. Sonatrach holds the majority interest of 51%. The Rhourde Yacoub license is located in the oil and gas-prone Berkine basin. E.ON E&P was awarded this block in a license round in December 2008 and since then, the company has drilled seven exploration wells and made several encouraging discoveries in the license area.

Molopo Wins First Production Right in South Africa

Molopo Energy Limited announced that a production right has been awarded to their South African Exploration area of approximately 200,000 hectares (494,210 acres) in the Free State province.

This is the first onshore production right to be awarded in South Africa, and commenting on the award, Molopo Manager for South Africa Peter Price said, "We are very pleased to have secured this first onshore production right, which represents an exciting development for both South Africa and for Molopo. We and our Black Economic Empowerment (BEE) partners are looking forward to contributing to the enhancement of the local community."

An estimate of Molopo SA's reserves and resources in the Virginia License area was performed during the exploration phase in 2010. At that time, the P1 reserves were estimated at approximately 9.2 Bcf, while P2 reserves were estimated to be approximately 23.0 Bcf, and the production right application was based on this exploration work. Molopo's overall net interest in the project is 80 percent after BEE and government participation.

The initial phase of development of this project will be the tie-in of 4 of the 11 pilot production wells where gas flow of approximately 1.2 Million cubic feet per day (MMcf/d) continues. Commercialization of initial volumes of around 600,000 cubic feet per day of natural gas is anticipated to be through

the provision of Compressed Natural Gas for transportation. The timing and detailed scope of these development plans will be finalized over the coming months. However, the capital investment outlined in the production right is approximately \$2.5 million (AUD\$2.4 million) in the first year, \$4.1 million (AUD\$3.9 million) in the second year, and \$9 million (AUD\$8.6 million) in the third year, totaling \$15.3 million (AUD\$14.9 million) over the three year period.

The full field development could result in the development of more than 200 wells, depending on success in further delineation of the resource as well as progress on gas commercialization opportunities.

These reserves were independently certified by Tim Hower of MHA Petroleum Consultants, LLC, Denver USA who has consented to the inclusion of the reserves information in the form and context in which it appears.

Molopo SA has committed to the implementation of a social and labor plan to be reviewed after two years to ensure that it remains in line with local economic development program developed for the region. Molopo will continue to contribute to the Upstream Training Trust to assist with the development of local skills to the benefit of the onshore gas industry. Molopo SA was assisted by Bowman Gilfillan in the preparation of the production right application.

Shell May Get Stake in Mozambique's Rovuma Basin

Shell may get another chance to pick up a stake in Mozambique's natural gas-prolific Offshore Area 1 in the Rovuma Basin. Rumors out of India have Videocon Industries Ltd., who holds a 10% stake in the acreage, seeking to sell out.

Videocon, which runs businesses from making flat-screen television sets to operating mobile-phone services, is said to already be in talks with Shell over the sale.

Just a few months back Shell was in a bidding war with Thailand's PTTEP for Cove Energy's stake the block. While Shell offered \$1.8 billion for the Cove stake PTTEP upped the ante offering \$1.9 billion, which was accepted by Cove. If Shell really wants a stake in the Rovuma Basin it will have to open its acquisition wallet a bit wider for the Videocon stake, as the Indian firm is looking to garner \$3 billion for its 10% stake.

According to the reports, Videocon is looking for a way out of the block as its portion of funding the development of the resources to commercialization would put great stress on the company's finances.

A \$3 billion paycheck for the stake would be an excellent return on its initial investment as Videocon paid Anadarko Petroleum Corp. \$75 million for the stake in 2008.

International News

Shamaran Makes Substantial Kurdistan Discovery

Canadian oil firm Shamaran has discovered large amounts of oil in the Atrush block in Iraq's Kurdistan region.

The AT-2 appraisal well was drilled by the company in the block, the second appraisal well drilled by Shamaran in Atrush, spudding on 23 May. It revealed an initial flow rate of 42,212 barrels of oil per day, one of the biggest flow rates ever discovered in Kurdistan. Costs for the operation were 30% under the projected budget, according to Shamaran.

Company shares skyrocketed in the wake of the discovery, and the company has become worth \$100 million more as a result.

In an official statement, the company announced: "Separate cased hole drill stem tests were conducted over three of the formations in the "BSAM" reservoir. Rates totaling 42,212 bpd were achieved (approximately 27 degree API). The test rates were limited by surface testing equipment. None of the tests had measurable amounts of formation water."

Pradeep Kabra, President and CEO of Shamaran, commented, "The results from the Atrush 2 well demonstrated the excellent production capability of the "BSAM" reservoir and the discovery of additional resource potential of the Butmah and Adaiyah. We commend the operator GEP on the outstanding job done by them during the drilling and testing of the well and look forward to continuing our work with the Kurdistan Regional Government to appraise and develop this world class discovery."

The Atrush block is operated by General Exploration Partners with an 80% stake. GEP is a joint venture in which Shamaran holds a 33% stake.

GEP has recently completed 3D surveying of the Eastern part of the Atrush block, providing the company with full 3D coverage of the whole of the block.

Earlier in the year, Shamaran had relinquished Production Sharing Contracts (PSCs) in both the Pulkhana and Arbat blocks to the Kurdistan Regional Government.

ExxonMobil Fails to Find Gas with PNG Exploration Well

After an exploration well failed to discover any natural gas, Sydney's plans for a possible expansion of ExxonMobil Corp's \$15.7 billion PNG LNG project in Papua New Guinea suffered a minor setback.

The US company's joint venture partner Oil Search Ltd. said in a statement that "The Trapia-1 well did not intersect any prospective reservoir intervals before reaching its total depth of 3,800 meters."

The venture is also searching for more gas at the Hides prospect and analysts remain optimistic that a third produc-

tion unit, or train, will eventually be constructed. Furthermore, hopes that the partners will find enough natural gas to develop the project to three LNG production units from the two currently under construction were recently buoyed by a large gas discovery at the P'nyang prospect.

Commonwealth Bank of Australia analyst Luke Smith said "The Trapia-1 well was high risk and the market's focus is on the Hides development well as that field has the potential to contain more than 10 trillion cubic feet of natural gas resources, enough to support at least a third train."

Iran Prioritizing Joint Oil & Gas Fields; Building Underground Oil Tanks

The National Iranian Oil Company (NIOC) has declared that it is placing top priority on developing joint oil and gas, according to NIOC Chairman Ahmed Qalehbani.

Qalehbani stressed the importance of exploratory activity in border areas.

Iranian will implement 11 plans aimed at boosting oil production

in August-July of the coming year. The plans are expected to increase oil output by 175,000 barrels per day.

These plans represent the first phase of a larger development plan put in place by the country, targeting an increase of 500,000 barrels per day.

The development plan will be applied in the oil fields of Yada-

varan, Sarvestan, Saadatabad, Hengam, Forouzan, Reshadat, Aban, and Paydar.

Iran has also begun implementing a \$2.2 billion project to establish underground oil storage tanks for strategic purposes. The tanks, which will have a storage capacity of approximately 10 million barrels of crude oil, will be located in the southwestern portion of Iran,

roughly 100km miles from the Persian Gulf.

The project has already entered the executive phase, and two oil storage tanks were inaugurated last month at the Shiraz refinery in southern Iran.

Iran has recently announced newly discovered reserves amounting to 6 billion barrels of crude oil in the southwest of the

country, located in the Yadavaran oilfield in Khuzestan Province.

Iran's total reserves of crude oil are estimated to be around 160 billion barrels, making it one of the most oil-wealthy nations in the world.

The country expects its daily crude production to increase by 1.5 million barrels per day by the year 2016.

Oil & Gas

GL Noble Denton

GL Noble Denton is the leading independent technical advisor to the oil and gas industry. With a presence in more than 80 countries, our experts are **trusted** by some of the sector's best known organisations to implement meaningful **change** and deliver exceptional **results** across the lifecycle of their assets.

From providing technical due diligence support to one of Germany's leading financial services providers, to delivering project management for ACS Cobra's new underground gas storage facility in Spain, we're committed to providing world-class service in everything that we do.



follow us
@glnobledenton

See more of what we do at www.gl-nobledenton.com
glnobledenton@gl-group.com

Qatargas to Increase LNG Exports to Japan

Qatargas has finalized a deal to supply over 20 million tons of Liquefied Natural Gas (LNG) to Japanese customers in the near future in order to help the Asian country deal with the aftermath of last year's catastrophic earthquake.

The new agreement adds 11 million tons to the original 9 million tons of short-term supplies originally announced.

The new volumes come in addition to several LNG supply deals agreed between Qatargas and customers in Japan over the last twelve months, for long-term supplying.

A statement from the company

said: "This is a substantial commitment to the energy security of Japan and is evidence of the strong relationship Qatargas enjoys with its Japanese stakeholders."

"Being the world's largest LNG producer, we are demonstrating one of our fundamental marketing principles that Qatargas sells LNG to where it is needed the most. As of now, Qatargas has delivered LNG to 21 countries, with planned sales to several more in future," Qatargas CEO Khalid Bin Khalifa Al-Thani stated, commenting on the agreement.

"As we aspire to be the World's Premier LNG Company, we seek

to maintain the highest standards of safety, reliability and integrity whilst offering our customers the required flexibility to meet their operational requirements," He added.

There are already long-term commitments in place for Qatargas to supply roughly 13 million tons of LNG per annum to customers in Japan and China. The company has stated its commitment to supporting the LNG marketplace, anticipating more deals to follow the most recent ones soon.

Qatargas is the world's largest LNG producer, with a yearly production capacity of 42 million tons.

EPPC Raising \$450 Million to Boost Port Said Complex Production

The Egyptian Propylene and Polypropylene Company (EPPC) is in the process of looking at options to raise \$450 million in order to increase the production capacity of the company's propylene and polypropylene in Port Said.

Mohamed Farid Khamis, Chairman of the EPPC, said: "We will invite new investors to subscribe to the company's shares, to raise the paid-up capital, in order to fund the expansion."

"We may issue new shares to expand the shareholder base or issue rights shares to existing shareholders," he added.

The complex currently produces 400,000 tons per year, which the company aims to raise by 25% to reach 510,000 tons per year within two years.

Roughly 65% of production from the complex is exported to Europe, while the remaining 35% is sold within the local market.

Qatar Petroleum International Joins Egypt Refinery Project

Qatar Petroleum International (QPI) will join the \$3.6 billion project to set up a state-of-the-art refinery in Greater Cairo, with initial investments from the Qatari company said to be in the region of \$400 million.

The project, which is one of the largest economic endeavors in Egypt since the fall of Hosni Mubarak in 2011 and has long been on hold, is being implemented by the Egypt Refining Company (ERC) and the Egyptian General Petroleum Corporation (EGPC).

When completed, the refinery is expected to produce 4.2 million tons of refined energy products and oil derivatives per year. This includes a projected 2.3 million tons of high-

quality, environment-friendly diesel, with the objective of reducing Egypt's diesel imports by as much as 50%.

The refinery is planned to start up in 2016, and it is expected to create plenty of new job opportunities in Egypt.

In an official statement regarding the refinery project, the Egypt Refining Company said: "It will cut present-day diesel imports by half thereby reducing Egypt's annual fuel subsidy besides improving the air quality in the Greater Cairo Area and help reduce Egypt's annual subsidy bill."

Speaking at a meeting attended by Qatari Minister of Energy and Industry Dr. Moham-

ed bin Saleh Al-Sada, Minister of Petroleum and Mineral Resources Osama Kamal said that Egypt was looking to strengthen economic ties with Qatar, particularly in the area of Liquefied Natural Gas (LNG) imports.

"We look forward to establishing many facilities that are capable of receiving Qatari LNG and that can provide fuel to industries, utilities and petrochemical units. Egypt is hopeful of a positive outcome on talks pertaining to LNG imports from Qatar," Kamal said.

Qatar has vowed to support the Egyptian economy by investing in several sectors in the country's economy.



Renewable Energy

Ghana in Clean Energy Initiative

The government of Ghana is distributing gas cylinders and stoves in rural areas, without charge, as part of its program aimed at promoting the use of clean energy.

According to the Ministry of Energy, it obtained approval from the Public Procurement Agency (PPA) to commission the Ghana Cylinder Manufacturing Co. to manufacture the cylinders and stoves.

"The Ministry of Energy has obtained approval from the Public Procurement Agency to commission the Ghana Cylinder Manufacturing Company to manufacture 5 kg cylinders and stoves for a rural LPG promotion program as part of government policy objective of making clean fuel available to the under-privileged in our society," energy minister Dr. Joe Oteng-Adjei told a press conference in Accra.

Dr. Oteng-Adjei also told the press conference that under the program "rural communities will only pay for the LPG" and that the "cylinders would be supplied to them free of charge from a pool of cylinders that would be re-circulated and maintained to ensure that safety standards are met."

China Finishes Edifice of World's Largest Dam

China has finished the edifice of the Three Gorges Dam, which is the world's largest Hydropower Dam. Vocation on the dam, which is situated in the midpoint of the Yangtze River, began in 1994,

and its manufacture expenditure reached a total of more than \$50 billion.

The massive dam will be tremendously beneficial, since it now has a scope of 22.5 gigawatts, which is about 11 percent of China's total hydroelectric volume. Moreover, this dam will reduce China's coal power consumption. In addition to generating electricity, the dam will increase the Yangtze River's shipping capacity and lower the tendency for floods by providing flood storage space.

Zhang Cheng, general manager of the project's operator, China Yangtze Power, stated: "The complete operation of all the generators makes the Three Gorges dam the world's largest hydropower project, and the largest base for clean energy, But it comes at a significant cost."

While the Three Gorges Dam is considered to be a significant accomplishment, the project has been accused of causing considerable ecological problems, including earthquakes and landslides. It is also regarded to have resulted in the relocation of 1.3 million people.

First Geothermal Plant in Vietnam

Vietnam has approved the development of its first geothermal plant, to be located in Central Quang Tri Province's Dak-rong District.

The SVA Financial Group said that it hopes to have the plant in operation by 2014. The company is in-

vesting VND 974 billion (US\$46.3 million) in the project, having already spent around USD5 million on drilling exploratory geothermal wells.

Ta Huong, the Deputy Chairman of Vietnam Thermal Association said that "the plant will be able to deliver 25-MW of clean energy and that it will set the stage for developing geothermal in almost all the countries provinces especially in Phu Tho, Quang Binh and Quang Tri."

He added "the plant will use Hot Dry Rock heat mining technology used by several other countries, including the US, Germany and Iceland, to mine heat from the hot rock found at some depth beneath Vietnam's surface. The water is pumped into hot, crystalline rock using an injection well, which becomes superheated as it flows, opening joints in the hot rock reservoir, and is then returned through production wells."



HUAWEI ENTERPRISE

A BETTER WAY



Huawei Telepresence

Meet the world from your own meeting room.

Be everywhere you need to be without leaving your office, thanks to the Huawei TP3106 Telepresence system. Backed by 600 patents, it combines the best of video, audio and collaboration technologies including HD 1080p 60fps displays, six microphones and AAC-LD triple-track-broadband audio. Video conferencing has never been this real, or this rewarding.

- Full interoperability with all major vendors
- 3 levels of security
- Custom installation
- Full technical support



enterprise.huawei.com

Financing Egypt's Petroleum Sector

The Egyptian petroleum sector is suffering from a chronic lack of liquidity, and the situation deteriorates every day. As the ministry of petroleum finds itself knees-deep in debt through its subsidiaries (the EGPC, EGAS, and GANOPE), the financial obligations pile up and paint an ominous picture for the future of investment and effectiveness in the sector. All the while, the ministry finds its own dues out of reach, and works to keep the balance and prevent the situation from spiraling out of control. There is a clear struggle in place to keep the sector afloat, and signals of a ticking time-bomb often arise. The ministry is taking steps to alleviate the situation, relying on assets both tangible and abstract, and it has so far succeeded in evading disaster. But questions remain as to whether it will be enough to prevent the sector from falling into disrepair and becoming economically dysfunctional.



Cheques and Balances

By Ahmed Farahat

The government must organize its own internal dealings financially and work for more efficiency if the petroleum sector is to balance its checkbooks.

Today, petroleum authorities (the EGPC and EGAS in particular) are heavily indebted to both foreign investors and banks, and despite constant efforts to schedule and organize the payback of these debts, the process has become significantly complex. Most investors in Egypt's petroleum sector complain of late receivables they have yet to acquire from the government (although most of the complaining is done in private).

The accumulation of debts and lack of liquidity ailing the ministry of petroleum and its entities is a symptom of a much larger financial problem afflicting the Egyptian government. Minister of petroleum Eng. Osama Kamal places the ministry's dues from government entities to be approximately LE140 billion, while the ministry's outgoing debts amount to roughly LE120 billion. This includes debts and dues related to entities such as the EGPC and EGAS. The EGPC's debts to banks alone is estimated at LE80 billion.

Internal debts between ministries, a distinct lack of fluidity, and unhelpful circumstances in both the local and global petroleum markets have resulted in the predicament we witness today, but if the problem is to be solved, the tangled mess that is government finances and ministry-to-ministry debts must be resolved, and the legacy of the old patron state must be discarded.

The 1952 revolution transformed the Egyptian state, particularly with regards to the relationship between the government and the governed. The state effectively morphed into a patron state, practically in charge of providing everything and managing everything. Subsidies are a prominent example of this issue, as the sanctification of state subsidies as an untouchable policy

is merely a remnant of the statist age of Gamal Abdelnasser. Today, subsidization of petroleum products constitutes a massive burden on the petroleum sector. The government subsidizes these products at a monumental loss, straining its finances and further chipping away at liquidity.

Experts in the sector have repeatedly called for subsidization to end in order for the sector's finances to rebalance, among them former petroleum sector Dr. Hamdy El Bamby, who claimed that the removal of subsidies is the only feasible way to resolve the industry's financial problem. Osama Murad, former head of Barclays Bank, who now works at Arab Finance, added his voice to this argument, claiming that the gradual removal of subsidies is a necessity. He added that the discussion about subsidies has lasted for more than a decade, and that if any steps had been taken in these years to gradual reduce subsidies, the problem would've become negligible by now. The petroleum sector cannot afford to pay its debts if it is saddled with irrational subsidization.

Murad also spoke of the lack of responsibility and accountability within the governments as a legacy of the 1952 revolution. He gave the example of the ministry of electricity, which he recalls used to utilize petroleum products without bearing the burden of their costs in any way.

The example he chose to give is telling, seeing as how the ministry of electricity today is one of those most heavily indebted to the ministry of petroleum. Sources within the ministry of electricity reveal that the debts amount to LE15 billion, as per the agreement signed with the petroleum ministry in 2006.

The ministry of electricity relies on petroleum products to generate electricity, with nearly 82% of the electricity generated utilizing natural gas. The electricity ministry pays a monthly LE200 million to the EGPC for resources supplied; the annual value of the resources is in the region of LE6 billion. Now the debt has grown, and the petroleum

ministry has faced enormous difficulties in regaining its dues. The problem is an ironic one, as the ministry of electricity itself is facing a liquidity problem due to its own pending dues from other government entities.

The ministry of electricity faces other debts, and has been met with similar hurdles in securing its own funds from other ministries and entities as the ministry of petroleum. The ministry of electricity also suffers from an additional problem, and that is the fact that rising prices of petroleum products mean they can no longer raise electricity prices with every petroleum price increase. In effect, this forces the ministry of electricity to take some of the impact of rising petroleum prices, inflicting it with its own losses.

The debts and bad finances are a characteristic of the entire government, it would seem, as the ministry of petroleum expects late payments from ministries other than the electricity ministry. The ministry of petroleum has contacted the ministry of civil aviation and the ministry of finance in order to clear up overdue finances, but the old way of doing things still prevails, and the inherited conception of the government as one bulky, bloated entity makes such transactions tricky.

The abovementioned facts relay an image of a sector already buckling under the weight of unhealthy finances, but some of the mechanisms of funding and financing adopted by the government add unnecessary complexities and redundant hindrances to liquidity, a rare commodity for the petroleum sector to begin with.

Further exasperating the crisis of liquidity facing the petroleum ministry are a number of ancient policies related to the flow of funds and the involvement of the ministry of finance. Rather than conducting its operations in an independent, self-sufficient manner, the ministry of petroleum works in a redundant, over bloated cycle with the ministry of finance. For instance, funds from

government-owned petroleum fields which are currently in production are diverted directly to the ministry of finance, which then chooses to provide liquidity to the ministry of petroleum and others from these funds as it sees fit. Similarly, the signature bonus included in any petroleum agreement with foreign investors goes to the ministry of finance, and is similarly redistributed in accordance with its overall vision.

In effect, this results in the ministry of petroleum and the country's petroleum resources being used as a crutch to ease short-term strains ailing the national economy. This policy hinders the development and efficiency of the sector, subsequently limiting its potential to be a more valuable asset to the country. If the ministry of petroleum were to be responsible for its own financial cycle, its effectiveness would be greatly enhanced. As it stands, funds are diverted to the ministry of finance, which then agrees deals such as the \$235 million loan deal with the Islamic Development Bank to finance the petroleum sector, further upsetting the balances and piling up more debts.

The situation has not been helped by circumstances over the last few years. The global market has changed, amplifying the stress on the ministry due to rising production costs, which are not met by equal rises in the value of what is produced in Egypt. The local landscape has also changed, as consumption shoots through the roof, making exportation unfeasible. Exportation was a major source of liquidity for the petroleum sector in Egypt, as capital flow was strong, allowing the ministry and the entities under its command to meet their financial obligations on time and in cash.

If the petroleum sector is to see the light at the end of the financial tunnel, the petroleum ministry must abandon archaic remnants of a bygone age of statist policies and move forward to become a self-sufficient, transparent financial entity, and this cannot happen unless such an initiative includes the entire Egyptian government.

Intangible Credit

By Ahmed Maaty

The ministry of petroleum is relying on its long-standing relationships with investors based on a history of mutual success, but this will not be enough to provide reassurances for current and future investments if the industry's finances remain unbalanced.

The debts and overdue payments issue has an effect on the entire petroleum sector and those who work in it, as the finances of the sector, as any sector, are what keeps it operational. The true threat it poses to the sector, however, lies in the effect it has on investors and their willingness to participate in and contribute to the sector. The end result of the financial mess afflicting the EGPC, EGAS, and to a lesser extent GANOPE is that investors do not get their receivables on time, as a consequence of the government not being able to get its financial house in order.

The traditional agreements model in Egypt stipulates that if the investor makes an oil or gas discovery, they are entitled to recover all of the costs paid in the operation from the government. The Egyptian government, represented by one of its entities (the EGPC for example), is to pay in either cash or in a percentage of its share of the resource itself. The latter is a problem due to the already crippling strains of local demand. The former has also become problematic due to the government's liquidity problem,

particularly in the petroleum sector.

At the core of the complications involved in paying back investors is the issue of cost recovery. The overwhelming majority of debts owed to investors are overdue cost recovery payments, which may discourage investors from committing further capital to the Egyptian petroleum sector.

BG Group for example, one of the biggest oil and gas companies operating in Egypt and one of those most heavily invested in the country's petroleum sector, is rumored to be owed a number in the region of \$500 million by the Egyptian government for exploration operations. Royal Dutch Shell recently handed back a Mediterranean Deepwater concession it had acquired after deeming it uneconomical due to the costs involved weighed against the potential gain provided by the current agreements model.

Another company owed money by the Egyptian government is Dana Gas, a UAE-based natural gas producer with significant investments in the country. Admitting that the company has had issues with receivables in Egypt, Dana Gas Egypt Chairman Dr. Hany El Sharkawi stated "We all know that the country is going through a financial crisis, and its not going to go away overnight. The whole issue is what the government is doing about it."

He pointed to the fact that the government is speaking to the ministries from which it expects late payments, and that the issue of subsidies was currently being discussed, expressing

overall optimism regarding the fact that the government was taking action to resolve the problem.

And it is this reputation for being a reliable partner that is currently serving as the Egyptian petroleum authorities' last true asset to fall back on. Experts assure that the companies are not looking to pick fights with the governments despite the occasional tensions due to the fact that there is a long-term relationship in place. Foreign investors have been working with the Egyptian government and seeing desirable results for years, and the government is using the trust it has accumulated to counterbalance worries stemming from financial woes.

The second source of comfort for investors in Egypt's petroleum sector is a policy that is relatively unique to Egypt. Petroleum agreements in Egypt are akin to law, requiring parliamentary review and approval. Once passed, they are considered to be on par with any other law in the country's legal system, meaning that there is a direct legal obligation by both parties to abide by it. This means that effectively the investor's receivables have to be delivered by the government as a matter of legal necessity within the framework of the Egyptian legal system.

But the guarantees will not last forever, particularly if facts on the ground indicate an inability to meet financial obligations by the Egyptian ministry of petroleum. Steps being taken are encouraging, but they are not all that can be done to salvage the situation.

The agreements model in place has got to be amended to take into account the rising costs of production, particularly with regards to deepwater and unconventional drilling, which requires highly advanced, highly costly technologies. Secondly, the issue of subsidies must be addressed, not only to rebalance the sector's budget, but also to boost the image of the ministry of petroleum and the Egyptian government as a party that can be trusted to make the difficult but economically sound conditions.

Another area that can be looked into is LPG imports. In order to improve capital flow and boost liquidity, the ministry should work to expand the natural gas grid currently providing gas for domestic use, minimizing the need for LPG imports and saving on costs in the process.

A final proposition, made by a source within one of the major oil companies who refused to be named, was for the government to replace the ineffectual and illogical system of dividing its petroleum entities by area (EGAS, GANOPE), and instead adopt the model used by private companies. This would involve establishing entities for upstream, mid-stream, and downstream operations, allowing for more efficiency and transparency, as each organ would deal with the other as a financially separate entity, creating internal capital flow.

Whatever the government chooses to do, it must do it swiftly, as its long-accumulated credit of trust with investors will begin to run out if the debts keep building.

Egypt Production Report

Your gateway to an industry forecast

2013

Egypt Oil & Gas Production Report 2013 will provide in-depth analysis of oil and gas production rates in Egypt. Mainly Clustered by region, the report presents each regions historical production, current production, proven reserves and a forecast projecting to 2025. Each region's main fields are analyzed to give a detailed description of production rates, capital costs and profit sharing agreements.

Report Includes

- Liquids and gas production rates per area
- Forecasts of Liquids and Gas production per area
- Updated Egypt's proven reserves count
- Analysis of leading producers

For more information

www.egyptoil-gas.com/Production2013

Published By



Available Now
ORDER YOUR COPY TODAY

Strikes Continue to Hit Egypt's Petroleum Companies

Ever since the eruption of the revolution of the 25th of January, protests and strikes have been the most effective mechanism for Egyptians to publicly display frustrations and grievances born of the deteriorating living and working conditions. The petroleum sector has been no stranger to these incidents, which dent productivity.



By Ethar Chalaby

Mass mobilizations of Egyptian workers were strong enough to bring down a powerful regime that lasted for approximately 30 years. However, the persistence of strikes since Mubarak's corrupt system was ousted suggests that the systematic nature of the workers' problems will not be resolved soon. In the wake of Mubarak's ouster on the 11th of February 2011, predicaments affecting trade unions and labor rights have been proliferating within Egypt's public eye. Sit-ins have been on the rise, posing a direct operational threat to the more general cycle of production in the country. In September 2012 alone, Egypt was hit with about 1,400 strikes and demonstrations encircling schools, universities, large companies and factories. Much like the overwhelming majority of the economy's sectors, Egypt's oil and gas industry has been affected by the problem, as workers of at least four large oil companies have announced open strikes until further notice.

Petrojet, Badr Petroleum, Gupco and Petrobel have been struck with intense protests for the past few months. Media reports have stated the main reasons behind the strikes were the workers' demands to be permanently employed in the companies after hundreds have been laid off unfairly. Others lodge protests against a corrupt working climate and inequitable compensation. Hussein Mahmoud, offshore maintenance department manager at Petrobel, told Egypt Oil and Gas newspaper that most of the strikes organized over the past month took place in the working fields in the Red Sea or Sinai, but not in front of the headquarters of the company. He explained that the root cause of the problem stems from Epesco, a petroleum company affiliated with Petrobel and Gupco which deals primarily with HR issues of workers. "They come to Petrobel and require that they permanently contract with the company," Mahmoud said. Since the uprising, strikes have been on an on and off pattern until workers started being more persistent about their demands, according to Mahmoud. He highlighted that most of the demonstrations are noticed to have erupted in harmony with the ministerial changes occurring in the ministry of petroleum. "With the appointment of every new minister of petroleum you find workers stopping work and starting their protests," Mahmoud said.

Commenting in one of the articles about the strikes published in Al-Tahrir newspaper, Ahmed Mohamed, a worker at Petrojet, wrote a letter addressing President Morsy, the Prime Minister and the ministers of petroleum and manpower, to voice his objection towards the unfair treatment of workers in his company. Referring to the

main challenge of permanent appointment, Mohamed criticizes how his colleagues who had only started at the company last year easily managed to settle their cases and secure a permanent position. He wrote that officials at Petrojet decline their requests for long-term contracts, neglecting their high qualifications. "Officials insist that we get hired according to our preparatory education, where we all have secondary educations... we demand fair compensation that equates our latest qualification to ensure social justice," reads the message. In the article preceding this letter, sources have told Al-Tahrir newspaper that the contagious wrath ensued from the corrupt working climate where chairman and senior officers in the company have facilitated the permanent appointment of their relatives to ensure they are connected throughout the wider network of the oil sector. Another commentator, Mohamed Al-Masry, stressed that Epesco, which is the main entity responsible for workers supply, is an offspring of the corrupt administration of the former minister of petroleum Sameh Fahmy. He stated that the company presses on workers' rights for the sake of high-ranking employees. "They take the fair earnings of the workers, save it and pour it into the official's accounts," Al-Masry wrote.

On August 28, workers at Gupco also expressed their frustration towards the general notion of temporary appointments and their affiliation to Epesco. According to Al-Shorouk independent newspaper, workers—in all of the company's departments—have agreed to protest in the Raas Shukheir area by the Red Sea, threatening to stop drilling any wells as long as their demands are not met. As a result, the Petroleum Air Services (PAS), a Cairo-based airline that provides the oil industry with support services and helicopter operations, suspended all its trips to field areas in Suez.

Bayoumy Moustafa, a worker protesting in front of Petrojet, told the Daily News Egypt newspaper as he joins the protest, that almost 400 workers have turned redundant in the span of the past two years. "We have held sit-ins and spoken to officials, no one is responding to us". As simple their aspirations seem to be, Moustafa's utmost hope is to get back to his job for the sake of his family. "We just want to go back to our jobs and make a living, our children are hungry," he said.

In Petrotrade, a recent strike was organized on 25 September where workers called for revisiting their contracts and resettling their employment conditions. Many protesters have also been demanding the resignation of Saeed Moustafa, Chairman of Petrotrade, for breaking

his promises with the group of dismissed and laid off workers, who have been appealing to him to resettle their cases. In a blog launched by the high committee for coordinating Petrotrade's workers' issues, bringing together many of the company's protesters in one platform, workers have been criticizing the company's head as well as censuring the regulations set in the company's internal charter. "Rules state that a worker who has graduated from the faculty of trade should prove at the same time the he has completed his secondary education in a technical school. It is funny how the chairman of the company is a graduate of the faculty of media," wrote one of the angry protesters. Workers praise how easy the procedures are in companies like Botagazco, Seyanko and Epesco with regards to resettling the workers' conditions.

The blog also cites a recent report published in Al-Shorouk newspaper that reveals the corruption of 180 chairmen of large oil companies in Egypt, with claims they have illegally profited millions of pounds in addition to numerous benefits. Sources have told Al-Shorouk that monitoring organizations have spotted LE2 billion allocated only for chairmen's ultra-luxurious cars. Reports have also shown that many oil companies have been accepting amounts that range between LE100 and LE1000 as a price for not attending one committee session that usually discuss issues related to sales and safety. Sources revealed that one of the companies have managed to collect about LE18 million while suspending the committee sessions for almost six months.

Meanwhile, workers of the major oil companies have announced an open strike in front of the presidential palace. They call for the implementation of the decision issued on 1 March 2011 that grants them the right of permanent appointment in their companies.

The issue of worker's rights was expected to ignite in the wake of the revolution, particularly in light of the left-leaning, egalitarian values and demands touted during the uprising. As the working classes work to shift the balance and recalibrate distribution of wealth to a scale they deem acceptable, the government and the ministry of petroleum in particular will be forced to put out fires to avoid catastrophe. So far, strikes and protests have not had a crushing effect on productivity in the sector, but of the cogs in the wheel of production get any more agitated, the sector might find itself hit with a blow it cannot handle. The petroleum sector will eventually adapt to the new scheme of things just like all of the other sectors, but until then, the ministry will have to keep running contingencies to steer the industry through dangerous waters.



دانة غاز
DANAGAS

Clean Energy for a better Tomorrow

The Middle East's first regional and private-sector natural gas company



EL Wastani Plant - Egypt



Khor Mor Gas Plant -
Kurdistan Region of Iraq



SAJGAS Plant - UAE



UAE Gas Project

Plot No.188, City Center, Fifth Settlement, New Cairo, Egypt
Telephone No. (+202) 25033333 Fax No. (+202) 25033331/2

www.danagas.ae

Trust and Optimism

Asked to describe Dana Gas Egypt's performance during the last 12 years, company Chairman Dr. Hany EL Sharkawy summed it up in one word: Phenomenal. Dr. El Sharkawy sat down with Egypt Oil & Gas to discuss the past, present, and future of both the company and the Egyptian petroleum sector, particularly in light of the revolution and its aftermath.



By EOG

Q How do you see the petroleum sector and its future in light of the past two years' events?

The petroleum sector is going to show more strength, and it will be obvious in the next bid round, as I expect a lot of companies to be competing to enter into Egypt or expand in it. The events of last year didn't change the fact that there are still a lot of opportunities in Egypt, a lot of undiscovered basins, a lot of deep targets that have not yet been explored. Oil companies will take the political events into account as part of their risk calculation process, but it will not stop them from investing in the country.

Q In your opinion, has the revolution had any positive influence on the petroleum sector?

The revolution took place due to the economic crisis in Egypt, and so for the government to succeed, it has to introduce reforms to advance the economy. This will have a positive impact on the country and on the economy in the short-term as well as in the long-term, and it will in turn reflect on the petroleum sector, particularly when it comes to policies aimed at attracting investors. We are hoping to see better terms and conditions for agreements, and see less bureaucracy in our dealings. I also believe that transparency is improving, and people now are more vocal and more open. I would say the outlook is a positive one after the revolution.

Q When you speak of the promising bid rounds in the near future, are you referring to the new Mediterranean bid round?

The bid rounds are coming from EGAS, GANOPE, and the EGPC, and that's the beauty of it, there's something for everyone. The major companies will be competing for the Mediterranean deepwater blocks, while the rest of the companies will be competing for onshore and shallow water blocks.

Q Do you think that changes should be applied to the standard terms and conditions of agreements in order to attract investments?

I think the rights steps are already being taken. For example, it is my understanding that the new EGAS bid rounds do not dictate a gas price, leaving it open for negotiation, which is an extremely important incentive for people to come in and look for gas even in difficult and expensive areas. So I think there will be modifications to attract more investors and maintain the current ones.

Q The revolution and its aftermath have had a massive effect on the country's economy. How has

Dana Gas felt this impact?

There has definitely been an impact; we cannot deny that the revolution affected everybody including Dana Gas. We have noticed for example that the issue of receivables has become much more complicated as well as much more severe. This limited our ability to execute a full work program in 2011, and partly in 2012. The effect was that we reduced our drilling in both exploration and development due to budget limitation, and as a result our reserve replacement factor and our production were both lower in 2011 and 2012 than in previous years. There has been a huge improvement this year in comparison to last year in terms of receivables; we have entered into agreements with the authorities, and they have honored these agreements. As a result, you can see that we have been more active this year than last, and so we will see more reserve findings and higher production.

Q How do you see the future of Dana Gas in Egypt, particularly following the appointment of the new government?

Dana Gas is here to stay. We come from the Emirates and are familiar with the lay of the land. We're not scared of the new government, we have a very good relationship with the government in place. Dana Gas will participate in new bid rounds, as a signal of our intention to expand in Egypt, and we will continue to seek new opportunities in the country.

Q What are Dana Gas's plans in Egypt for the coming period?

We are actually beefing up our drilling activities. We started this year slowly for several reasons, some of them beyond our control, but we started the second half of the year very strongly. We have more rigs currently operating, more exploration wells being planned, and we're going to be very busy in the coming period.

Q Should we expect to see more drilling activity by Dana Gas in the coming fiscal year?

Yes, we are in process of preparing our budget and drilling

program for 2013, and we're putting forth proposals to the board for a very aggressive drilling plan for 2013.

Q What is the company's current production rate?

It is over 30,000 barrels of oil equivalent

Q Are you planning to look into the coming Mediterranean bid round?

We will look into the bid round, but if we do end up submitting a bid, it will most likely be in partnership with other companies, which is very common in the industry.

Q Will the company be focusing exclusively on exploration and production in the coming period, or will you expand into other fields?

Dana Gas is interested in all aspects of the oil and gas sector in Egypt. We actually discussed the idea of establishing gas cities with previous governments, which is a downstream project. We think it would have a very good impact on the Egyptian economy, particularly regarding the unemployment situation, and we're interested in pursuing it with the new government.

Q How would you rank Dana Gas among your competitors, and do you see the company becoming one of the three biggest gas producers in Egypt in the foreseeable future?

I would rank Dana Gas as the sixth biggest gas producer in Egypt, and I do believe we can become among the three biggest producers in the country.

Q Dana Gas has had the unique privilege of being allowed to market its own share of gas to the local market. How do you see this concept and its applicability to other companies in the coming period?

Dana Gas has the right to market its own gas right now; we are in negotiations with end users but we have not sold anything yet. I believe that the trend in Egypt is moving towards allowing everybody to do their own marketing. I expect that within a few years, Egypt will have a free energy market, including gas and other hydrocarbons. This is a very positive move from the government, and will attract investments.

“ The revolution took place due to the economic crisis in Egypt, and so for the government to succeed, it has to introduce reforms to advance the economy ”

“ We will look into the new bid round, but if we do end up submitting a bid, it will most likely be in partnership with other companies ”

“ I expect that within a few years, Egypt will have a free energy market, including gas and other hydrocarbons ”

Q Do you think the Egyptian market is ready to become a free market?

You have to start somewhere, and if there is a will there is a way. It is in the benefit of everybody to see a free market, and from the experience of other countries that is working very well. Maybe the country is not used to it but it will be a learning curve, and it might take a few years for the market to fully understand the value of direct gas and hydrocarbon sales to consumers.

Q What do the companies and the government need to do in order to successfully implement this concept?

The companies need to start adding marketing departments to their staff, which has not been the case because we have only ever had one client. The government also needs to be ready to be competitive because they will no longer be the only game in town, and so they need to beef up their marketing skills.

Q When the Egyptian energy market becomes a free market, do you believe companies will look primarily to local consumers or to exportation in marketing their goods?

The logic says local market, especially if the price is right. Given the demand that is expected in the local market in the coming period, the return on investment of selling in the local market will be very attractive to producers.

Q Do you see demand increasing in the future?

If the economy picks up demand will undoubtedly increase because more industries will be expanding, and gas is becoming a very important source of energy for all industries. I expect the petrochemical industry to pull ahead, and that will require additional gas as well. So I believe that demand for gas will witness an increase in the local market.

Q In your view, was the previous minister of petroleum (Eng. Abdullah Ghorab) successful in navigating the sector through a difficult phase?

Given the severe economic situation in the country, I think the minister managed to get through the difficult past two years very well. There were line-ups in front of gas stations, but nobody went home without gasoline, even if they maybe had to pay a couple more pounds. We managed to get through a very severe crisis in the past two years, and so I would definitely say he was successful.

Q How do you see the new minister's prospects for success?

We've seen him for only one month and so it's very hard to judge his performance based on that, but I know the gentleman personally and he is a very active, sharp individual who genuinely wants to do something for the country.

Q Besides the Mediterranean, where do you see the biggest potential for new discoveries in Egypt? You've been working in the Nile Delta and Ganoub el Wadi, do you believe there is significant potential for valuable discoveries there?

As an exploration specialist, I look at the South and

Southwest of Egypt as places with very high potential. In the past, no one has been interested in these areas because of their remoteness. In order for a company to have an economic discovery in these areas, the discovery needs to be of a certain magnitude in order to justify establishing infrastructure in the area. Now that the Western Desert and Nile Delta have been heavily explored, the trend is starting to shift towards moving to these remote areas. I believe that Dana Gas's Komombo discovery in Upper Egypt was very important because for many years people believed there were no hydrocarbons in this area. The same thing was being said about Southwest Egypt, and I am now very optimistic that there are substantial potential reserves in this area that have to be looked at in unconventional ways. Those parts of Egypt still need to be explored in a serious way, and I see a lot of potential for unconventional resources in the future.

Q Unconventional resources are a very expensive industry though. Do you believe new conditions and policies will have to be implemented in order to exploit these resources?

That would definitely be the way to do it. You have to provide incentives for companies to go into remote areas, in terms of the fiscal terms of the agreements and in terms of better pricing for products. The government must provide incentives for companies to go in and explore and spend money in a high-risk but high potential area.

Q The issue of debts owed to investors by the EGPC has often been raised as a concern recently. What is your opinion regarding this matter?

We all know that the country is going through a financial crisis, and it's not going to go away overnight. The whole issue is what the government is doing about it. Recently we've heard that the ministry of petroleum is talking to other government entities such as the ministries of electricity and civil aviation in order to collect its own receivables. There has also been talk of easing subsidies, which should provide funds. If steps such as these are taken, the government should be able to gradually get out of its debt situation.

Q Do you think that the government's expansionary fiscal policies are crowding out investors in Egypt's oil and gas sector?

If we're talking about lending rates and how this will affect investors, I believe the impact will be minimal. The fact remains that we are an industry that operates primarily in foreign currency, and we are only slightly affected by the interest rate of the Egyptian pound.

Q What is your take on the rising phenomenon of protests and sit-ins in the petroleum sector?

It is a negative phenomenon, I do not think people



are serving the country in any way by going on strikes and participating in sit-ins, whether for legitimate or illegitimate reasons. The right to go on strike is granted to anybody as long as it does not prevent other people from carrying out their work, but when you interfere with the working process of others, it is a negative phenomenon. I believe the government should take a very strong stance against those who abuse the right to strike, and take some severe measures to prevent them from carrying out such activities. They need to introduce and implement some very strict laws against people who conduct this type of strikes and sit-ins.

Q Has this issue affected Dana Gas directly or indirectly?

Yes, we have had some strikes and sit-ins in some of our facilities. Lucky for us, we have very good relationships with the communities with which we work, and they have been very helpful in stopping harmful acts of this nature. Overall, it did not last very long, the problem was resolved swiftly, but other companies are not as lucky as we were.

Q In your opinion, could this phenomenon have an effect on investment?

That's definitely a fact, if people do not stop these actions, then the government's current efforts to attract investments will not be very successful. I think it is the responsibility of both the government and the people to attract investment to the country. The public has to understand that these acts of blocking roads, stopping work, and threatening to damage property is not helping the economy and is not helping them at the end of the day. It damages the country's reputation and consequently the economy, which in turn will hurt everybody's pockets.

“ There has been a huge improvement this year in comparison to last year in terms of receivables; we have entered into agreements with the authorities, and they have honored these agreements ”

ZoneSelect™ Fracturing System

Fracturing System Isolates and Fractures Long-Reach Horizontal Well, Maximizing Reservoir Access.

By Weatherford

New Weatherford technology allows the operator to install a multi-zone liner with openhole packers and sleeves, in order to isolate and fracture multiple zones in a 20,111-ft (6130-m) horizontal well.

In usage on the field, the operator experienced well kickoff at 6,145 ft (1873 m) and the total horizontal section was approximately 13,123 ft (4000 m). This results in maximum reservoir exposure and inflow capability for the well.

The operator successfully deployed Weatherford's ZoneSelect SingleShot Frac Sliding Sleeves and ARES hydraulic openhole isolation packers to a total depth of 20,111 ft (6130 m).

Weatherford used 18 ZoneSelect sleeves and 22

ARES packers to isolate 21 intervals and stimulate 18 of them, all in a single wellbore. The ARES packers succeeded in isolating each stage's fracture treatment. Additionally, the SingleShot Frac Sliding Sleeves maximized the operator's flow area through the flow ports while protecting the inner sleeve from erosion.

The use of this technology effectively pushed down overall costs, while simultaneously boosting production rates for the well.

Using Weatherford's ZoneSelect SingleShot Frac Sliding Sleeves and the ARES packers enabled the operator to create zonal isolation in a horizontal well and conduct multiple fracturing operations in a single well. Furthermore,



Weatherford®

isolating zones in an openhole environment enabled the operator to expose a larger surface area for fracturing, increasing production by 25% over an 18-month period. Finally, the ZoneSelect system minimized extraneous time and services required to stimulate the well, saving the operator associated rig costs and reducing the overall environmental impact.

Weatherford's ZoneSelect system proved effective in reducing costs and saving time in addition to boosting production, all in a more environment-friendly manner.

Weatherford's ARES openhole packers and ZoneSelect technology isolated 21 individual zones in a 20,111-ft (6130-m) lateral well, decreasing overall costs while increasing production rates.

Location
Canada

Formation
Montney

Well Type
Onshore, horizontal

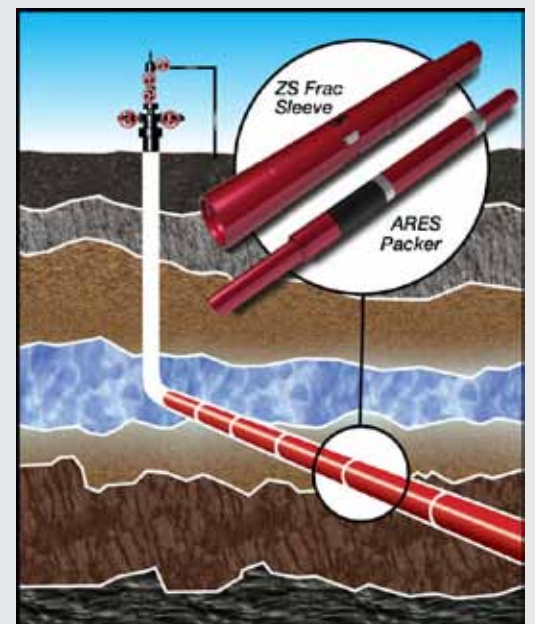
Hole Size
6-1/8 in. (156 mm)

Depth
20,111 ft (6130 m) MD
7,053 ft (2150 m) TVD

Liner Casing
4 1/2-in., 15.1-lb/ft
(114.3-mm, 22.47-kg/m) L-80

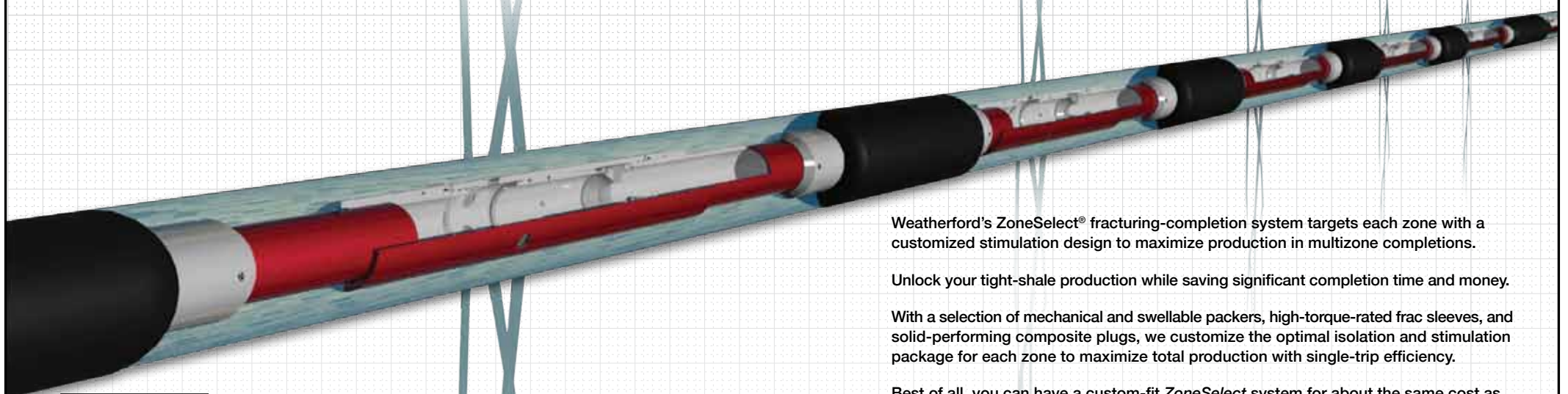
Equipment

- ZoneSelect SingleShot Frac sliding sleeves
- ARES openhole isolation packers
- UltraPak U Series permanent liner top packer assembly
- Premium latch seal assembly



Change Your Shale Economics with a Custom-fit Completion

Maximize production. Reduce operating costs. Save valuable time.



Weatherford's ZoneSelect® fracturing-completion system targets each zone with a customized stimulation design to maximize production in multizone completions.

Unlock your tight-shale production while saving significant completion time and money.

With a selection of mechanical and swellable packers, high-torque-rated frac sleeves, and solid-performing composite plugs, we customize the optimal isolation and stimulation package for each zone to maximize total production with single-trip efficiency.

Best of all, you can have a custom-fit ZoneSelect system for about the same cost as a general-purpose system. This is **Tactical Technology™** at its best, with proven reliability and safety over the last ten years in North American shale plays.

Contact your Weatherford representative or visit weatherford.com/zoneselect.

The change will do you good™



Watch the video of our tactical technology in action.



Drilling



Evaluation



Completion



Production



Intervention



Weatherford®

weatherford.com

© 2012 Weatherford. All rights reserved. Incorporates proprietary and patented Weatherford technology.

OPTIMIZING PRODUCTIVITY



Productivity gains at every step

The ultimate success of your well is the result of a series of closely connected E&P operations, with each phase affecting the one that follows. Every day, M-I SWACO helps operators on more wells and with more of those crucial steps than ever before. We deliver a portfolio of individual and integrated solutions designed for positive impact on operational productivity at every step of your well's life.

We've developed specialized technologies to address a range of specific issues. Innovations such as the micron-size, treated particles in WARP* Advanced Fluids Technology that can be used in all water- and oil-base drilling and completion fluid systems to increase density without compromising rheology or promoting particle settlement.

Other innovations include SMART RDF* fluids and breaker systems. Engineered to work together seamlessly, they give you high-performance drilling with greater fluid control during completion while protecting your formation's production potential.

Throughout the life of your well, you'll find there are M-I SWACO solutions that can help you increase efficiencies, reduce waste, maximize production and minimize environmental impact.

They all add up to greater productivity every step of the way.

Drilling Solutions | Wellbore Productivity | Production Technologies | Environmental Solutions

*Mark of M-I LLC



Customer-focused, solutions-driven

M.I Overseas Ltd - Egypt Branch
 4 EL Saha El Shabia Street
 P.O Box 61
 11431 Maadi, Cairo, Egypt
 Tel: +202 2358 8463
 : +202 2358 2307
 Fax: +202 2358 5944
 www.miswaco.slb.com

Fugro Granted SAM Runner up HSE Award

By Fugro

Fugro SAE has been awarded the Golden SAM Runner up HSE Award for Year 2012. The Golden SAM (Safety Always Matters) is awarded annually to the Fugro company that has shown high quality submissions, commitment to safety and has achieved a consistent outstanding safety performance among all Fugro companies worldwide. A total of 21 applications from 7 business lines were taken into consideration by the HSE Team and the Executive Committee, judged against a number of hard and soft criteria. The effort put into the applications and supporting evidence again resulted in quality submissions and significant progress in improving performance in the field of HSE.

The Award was received by John Evans (General Manager) and Wessam Mamdouh (QHSE Manager) in the 50th Anniversary celebration ceremony held in Cairo.

Furthermore, Fugro SAE's QA-HSE Management System was audited this year by BP in Fugro SAE office in Maadi, Cairo. The audit was carried out according to the requirements of the OGP standards.

Fugro SAE scored 84% as a total score of all audits. Auditors highlighted that this is the highest OGP audit score they have seen of all the geophysical companies BP have audited.

We believe this reward is a well-deserved merit after many successful years in the offshore survey business, during which we worked hard to adequately maintain and constantly improve the

operation of the Health and Safety Management System, covering all onshore and offshore operations. Our HSEMS is a structured method of assessing and managing hazards and risks which may exist in any work situation in which the company's employees may find themselves. The HSEMS is structured according to the QHSAS 18001:2007 and ISO 14001:2004 standards requirements and it include policies, planning, implementation and operation, monitoring and measurement, and management review.

HSE planning is an integral part of the system and includes annual HSE plan, HSE training plan, risk management and project specific HSE Plans.

For each project, a comprehensive project HSE plan is always produced. This plan is designed to present, in an easily understandable manner, all procedures, actions and information needed for the safe conduct of the project and in the event of an emergency.

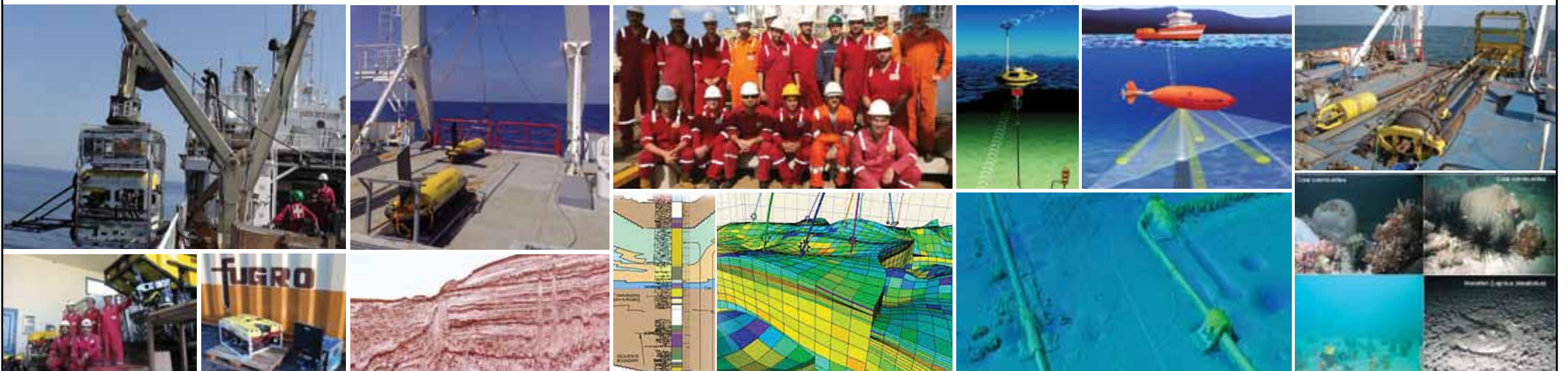
The project HSE plan includes an interface/bridging document that interfaces the Fugro SAE HSE system and procedures with those of the client and sub-contractors.

Fugro SAE's HSEMS is accredited to OHSAS 18001:2007, ISO 9001:2008 and ISO 14001:2004

Fugro companies have a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement. To this end, Fugro companies manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance.



WHEN ADAPTABILITY COUNTS...



Our comprehensive Offshore Services deliver integrated disciplines for true 'life of field' solutions. The core services of Fugro SAE are geophysical surveys, offshore positioning, GIS deliverables, ROVs, and Subsea Engineering and Intervention Tooling. Fugro SAE can call on other Fugro OpCo's worldwide to provide other specialized services.

- Geophysical Drilling Hazard Site Surveys
- Pre engineering Pipeline Route Surveys
- Hydrographic surveys
- Field Development Surveys
- GIS services.
- Drill support
- Construction support
- IRM services (Platforms & Pipelines)
- Onshore engineering support & project management
- Subsea engineering & intervention tooling
- High Res. Seismic Acquisition, Processing And Interp.
- Geotechnical Surveys
- Environmental baseline surveys (EBS)
- Metocean (monitoring atmospheric ocean conditions)
- AUV Surveys

FUGRO SAE has the personnel to provide these services locally. Our extensive experience and track records enable us to be the market leader. Fugro provides global support locally.

Fugro SAE

Telephone : +20 (0) 2 2758 0299

Fax: +20 (0) 2 2758 0599

Email : info@fugro-egypt.net

www.fugro.com

...COUNT ON FUGRO





⚙️ Proserv Maritime & Engineering Services (PME)

Is a shareholding company registered and government licensed in Alexandria – Egypt, with authority to conduct all kinds of inspection and quality services. PME offers and carry out highly professional surveys and inspection services to different industrial clients through its network partners around the world.

🕒 Our Mission

To provide high quality, efficient and effective services to assist in the new and existing projects with professional PMT personnel, engineering services and NDT inspections in a timely and cost effective manner.

🌐 Our vision

To be recognized throughout the industry as the premier inspection solutions provider offering a wide range of services such as Inspection services, boilers and pressure vessels services, welding services, marine engineering services and technical training to meet our client's needs.

💎 Our Values

Our experience and engineering background are continuously exceeding our customer's expectations. There is always a solution to every problem and we value our ability to find the most appropriate solution.

Inspection Services Division (NDT)

Proserv Maritime & Engineering Services (PME) provides inspection, testing and other offshore and onshore services primarily to the energy sector including the oil and gas industry, power generation and engineering industries worldwide. Our main focus centers around all machinery and manufactured items such as rotating equipment, valves, fittings and components, weldments, electrical and instrumentation, coating, non-destructive testing (VT, PT, MT, UT, RT, Advanced NDT services) and structural activities.

Our Inspection services include:

A) Non Destructive Testing (NDT)

NDT inspection with qualified and certified level II inspectors under supervision of level III in the following methods:

- Visual Inspection
 - Liquid penetrant inspection
 - Magnetic particle inspection
 - Ultrasonic inspection
 - Radiographic inspection (X-ray, Gamma ray)
- ### B) Destructive Testing
- Tension Compression test.
 - Hardness test (VICKER, BRINEL & ROCKWELL)

C) Advanced NDT services

Boilers & Pressure Vessel Inspection Division

Proserv Maritime & Engineering Services (PME) provides a variety of technical services about pressure vessels inspections in accordance with ASME codes and standards including power boilers, industrial boilers, organic fluid heaters and a range of technical services to pressure vessels with various dimensions and types including different types of gas cylinders and ultra-high pressure vessels by certified and qualified boilers and pressure vessels inspectors.

Our services include:

- Boiler drums inspections & repairs.
- Boiler header and risers inspections & repairs.
- Boiler tubing inspections & repairs.
- Boiler water and feed water chemical treatment systems inspections.
- Boiler refractory inspections & repairs.
- Boiler control system inspections & repairs.
- Boiler apprentices inspections & repairs.
- Boiler consultancy for newly erected boilers.
- Boiler retrofit design & applications

Welding Services Division

Proserv Maritime & Engineering Services (PME) provides specialized welding services according to different codes and standards including Pose weld heat treatment, developing WPS and PQR, qualified welders and brazing services.

Our Services include:

- Repair welding and specialized welding services.
- Develop welding procedures.
- Welding inspections according to codes and standards.
- Welding with post weld heat treatment equipment.

Marine Engineering Division

Proserv Maritime & Engineering Services (PME) provides Marine services for docking and undocking including ship repairs, external hull blasting and painting, under water hull plate repair, pipelines works, propeller repair and hydraulic system inspections and repairs.



Cairo Office.
9 B Road 199, Degla, Maadi - Egypt
t. +20 225 166 380
f. +20 225 166 386
m.+20 181 116 565

Suez Office.
El Gomhouria St., Suez Section
t. +20 623 343 374

Alex Office.
12 Champlion St., Al - Azarita
t. +20 03 4852033
f. +20 03 4852066

info@promaritime.net www.pme-eg.com

The ECHEM/Petroleum Economist Egypt Petrochemicals Conference Petrochemicals in the New Egypt

On the 26th and the 27th of September, the Egyptian Holding Company for Petrochemicals (ECHEM) and Petroleum Economist organized the Egypt Petrochemicals Conference in the JW Marriott hotel in Cairo. The conference revolved around the theme of Petrochemicals in the New Egypt, aiming to discuss the prospects, opportunities, and challenges facing the growing petrochemicals sector in Egypt. Several high-profile figures and executives attended the conference in order to partake in the discussion regarding the development of Egypt's petrochemicals industry, most prominent among them Prime Minister Dr. Hisham Qandil and Minister of Petroleum and Mineral Resources Eng. Osama Kamal.

The focus of the conference was on assessing the petrochemical industry in Egypt as a promising investment

opportunity, as well as emphasizing the momentous role it can potentially play in boosting the Egyptian economy and providing it with a source of strength.

In his keynote address, Dr. Qandil described his government's vision as transforming Egypt into a "knowledge-based economy" which does not simply sell raw materials but rather adds value to them. He claimed that the conference and its direction could contribute to this vision, as the petrochemicals industry is centered around the concept of added value.

The Prime Minister was also keen to address investors, ensuring them that the security situation is being worked on and is already showing signs of improvement, and that the government would dedicate its efforts to minimizing the amount of bureaucracy and red-tape found in the investor's path.

The Minister of Petroleum also



stressed on the essentiality of added value in his own speech, stating that Egypt must maximize its capability to add value to its mineral resources. He also labeled the petrochemicals industry "the gateway to catching the train of development," claiming that its growth is an integral part of the development of the entire petroleum sector in Egypt.

The conference included other notable attendees such as the current Acting Chairman of ECHEM, Eng. Samy Abdelhady, and the Regional Director for North Africa at the Africa Development Bank, Jacob Kolster.

The conference was used as an opportunity to shed some light on a number of prominent projects and endeavors that will be undertaken in the coming period. Noteworthy among them was the Gas to polymer project, which will entail substantial investments and is to be concluded in 5 years time, and the Integrated Petroleum Refinery Project, a highly complex and costly venture as well. Both of these "mega projects" are part of the government's larger 'industrial clusters' scheme.

The conference left the impression of an industry that still has a lot of space for growth and development, but also one that was definitely moving in the right direction and offering glimpses of enormous potential. If the Egyptian petrochemicals industry manages to maintain its pace, and the new government continues to devote the necessary attention to it, there are indications that it could become a major asset for the national economy.



RWE Dea



SUCCESS THROUGH INTERNATIONAL OPERATIONS

RWE Dea is a top-performing German company for the exploration and production of natural gas and crude oil, operating on an international scale. Exploration expertise, state-of-the-art drilling and production technologies and a diverse range of professional experience and know-how acquired in 112 years of corporate history make RWE Dea a powerful company engaged in numerous operations at home and abroad. Safeguarding energy supplies and environmental protection are key objectives. RWE Dea is part of the RWE Group - one of Europe's biggest energy corporations.

In Egypt, RWE Dea and its legal predecessor have been operating in the upstream segment since as far back as 1974 and, as an operator, can look back on more than three decades of oil production in the Gulf of Suez. The company made a number of major gas discoveries in recent years and boosted its activities considerably.

With the start of field-development of the operated Disouq and the non-operated West Nile Delta projects RWE Dea shows further commitment with long term investments serving the domestic energy needs. RWE Dea has a total of 12 onshore and offshore concessions in Egypt, across a concession area about 19.000 square kilometers.

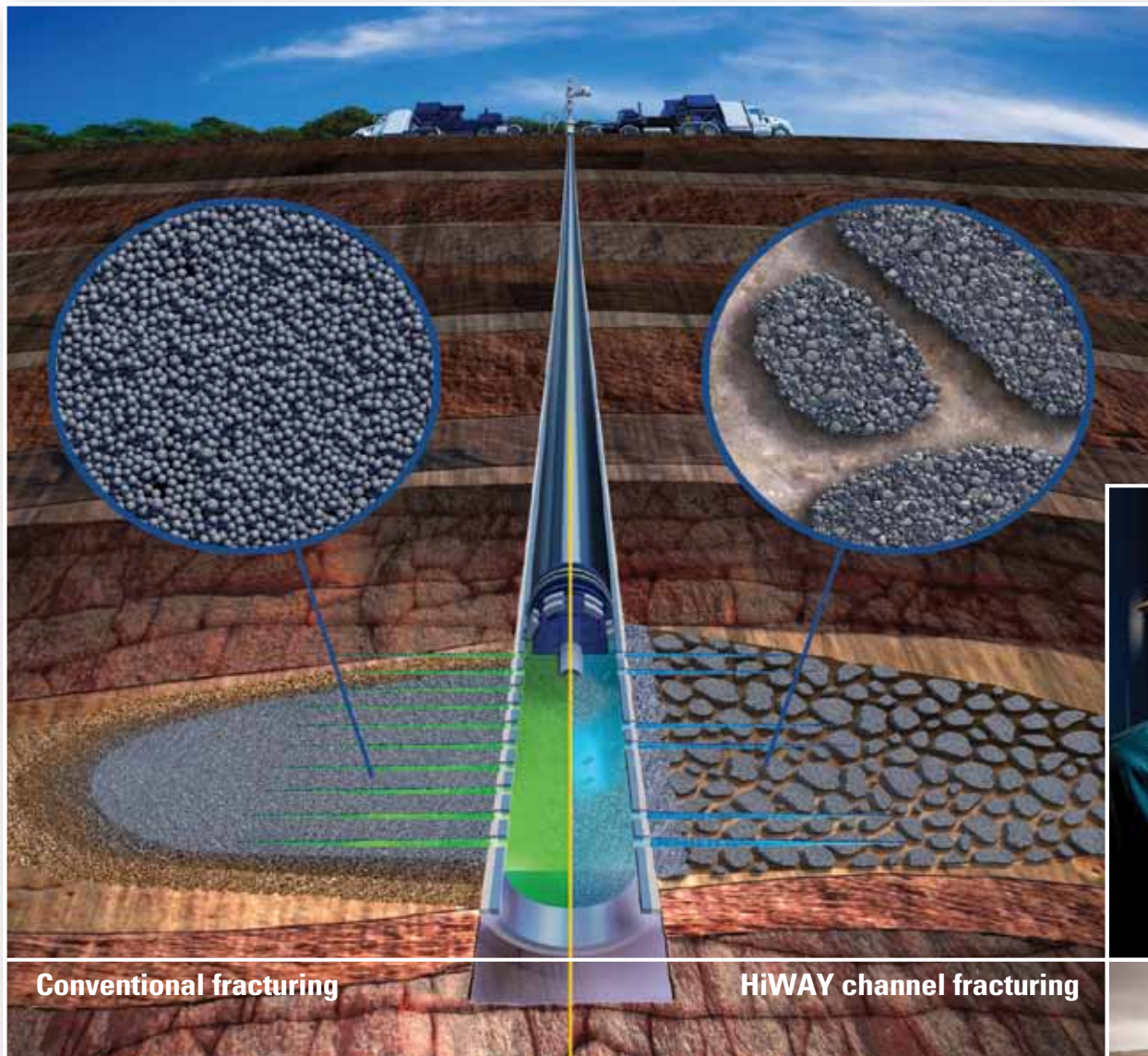
RWE Dea Egypt Branches | 16 Road 253 Degla-Maadi | P.O. Box 1146
Cairo, Egypt | T +20 2 2754 2630 | +20 2 2522 1100
E info@rwe.dea.com | www.rwe.dea.com/egypt

RWE Dea AG | Überseering 40 | 22297 Hamburg | Germany
T +49(0)40 - 63 75 - 0 | E info@rwe.dea.com | www.rwe.dea.com

RWE
The energy to lead

Experience infinite fracture conductivity

HiWAY
FLOW-CHANNEL
HYDRAULIC FRACTURING
TECHNIQUE



*Mark of Schlumberger. Measurable Impact is a mark of Schlumberger. © 2010 Schlumberger. 09-ST-0150

Introducing HiWAY* channel fracturing—

A new hydraulic fracturing technique that creates flow channels to maximize the deliverability of the reservoir.

With this technique, there's nothing between the reservoir and the well, so reservoir pressure alone determines flow.

Open up. No speed limits.

www.slb.com/HiWAY

Global Expertise | Innovative Technology | **Measurable Impact**

Schlumberger

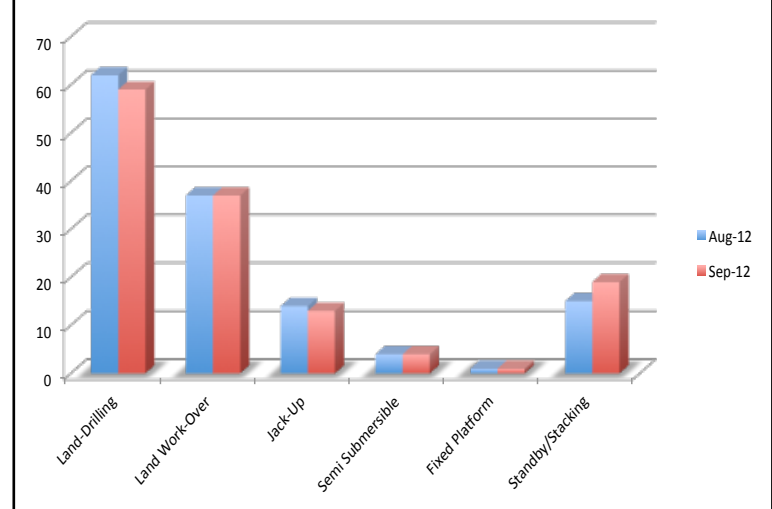
Egypt Statistics



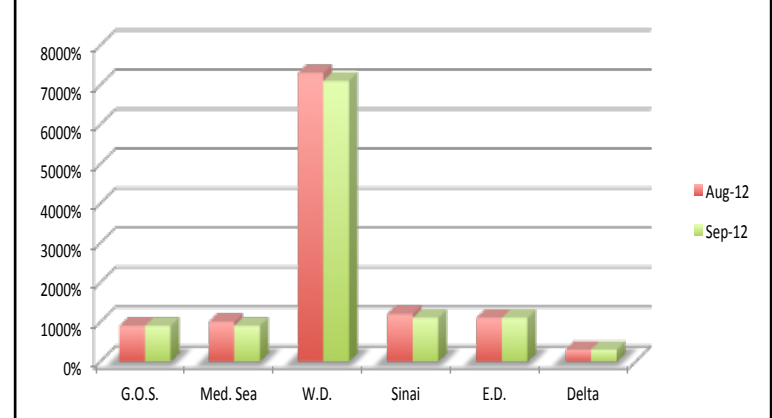
Table 1 Egypt Rig Count per Area - August 2012

RIG COUNT			
Area		Total	Percentage of Total Rigs
Gulf of Suez		9	8 %
Offshore	9		
Land			
Mediterranean Sea		9	8 %
Offshore	9		
Land			
Western Desert		71	62 %
Offshore			
Land	71		
Sinai		11	10 %
Offshore			
Land	11		
Eastern Desert		11	10 %
Offshore			
Land	11		
Delta		3	2 %
Offshore			
Land	3		
Total		114	100%

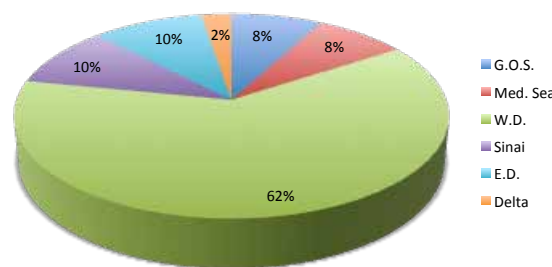
Rigs per Specification August - September 2012



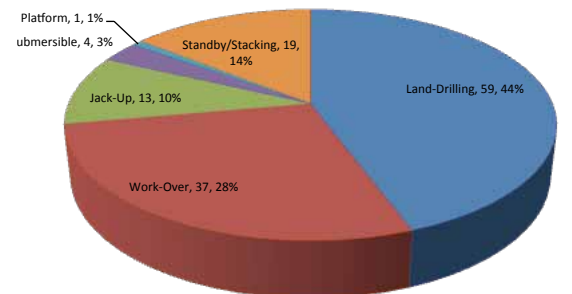
Rigs per Area August - September 2012



Rigs per Area September 2012 (Total of 114 Working Rigs)

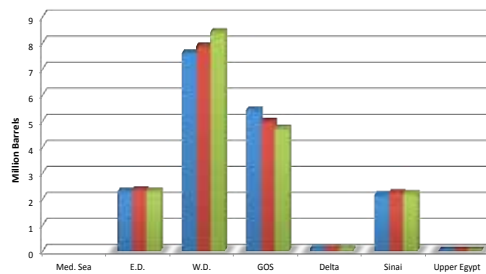


Rigs per Specification September 2012

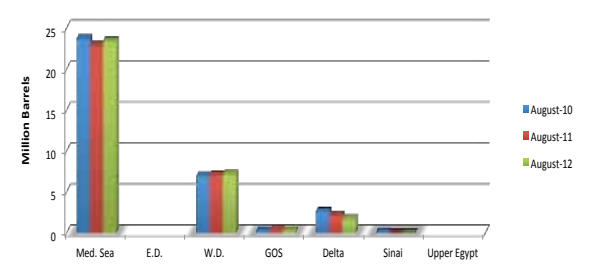


	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	August-10	August-11	August-12	August-10	August-11	August-12	August-10	August-11	August-12	August-10	August-11	August-12
Med. Sea				23727679	22908036	23458571	1509288	1444785	1171055	372741	370610	371488
E.D.	2290830	2338261	2294391									
W.D.	7603951	7865040	8409108	6937500	7082321	7188750	1868029	1843038	1575459	540323	569480	603294
GOS	5405860	4974668	4699776	236786	347857	215714	60307	82705	59974	140532	196664	166748
Delta	110926	109682	79901	2632679	2121964	1757857	207051	187137	137848	105698	89879	95895
Sinai	2156520	2235391	2200786	45893	4643	1071	45550	31096	35452	87308	89072	84709
Upper Egypt	17518	19335	15083									
Total	17585605	17542377	17699045	33580537	32464821	32621963	3690225	3588761	2979788	1246602	1315705	1322134

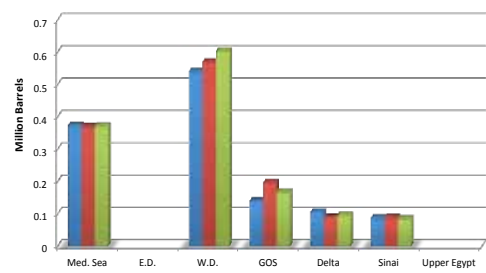
Oil Production August 2010 - 2012



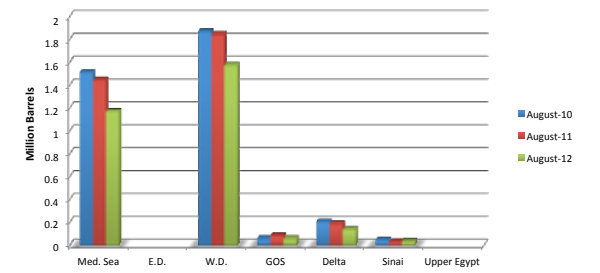
Equivalent Gas Production August 2010 - 2012



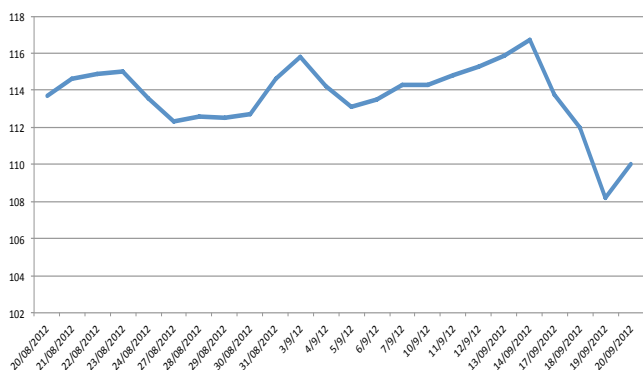
Liquefied Gas Production August 2010 - 2012



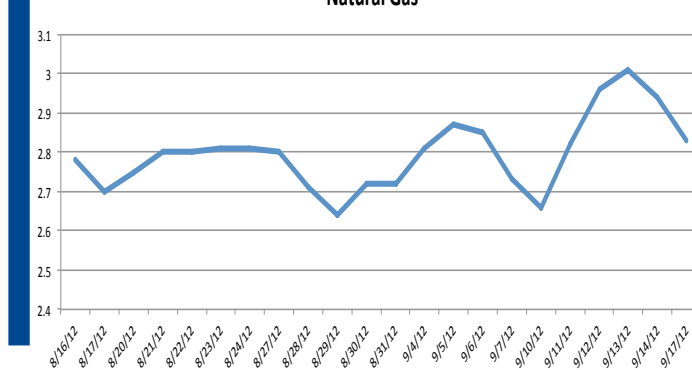
Condensates Production August 2010 - 2012



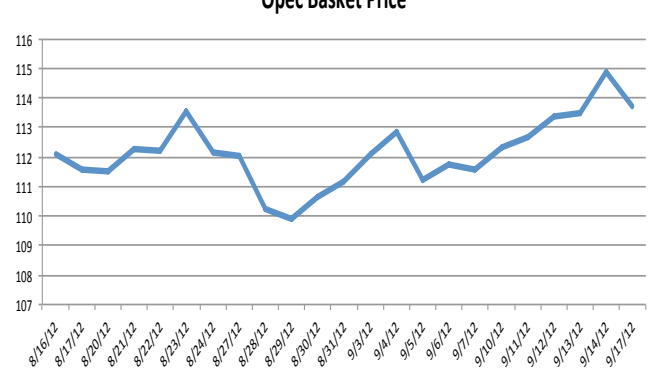
Brent Price



Natural Gas

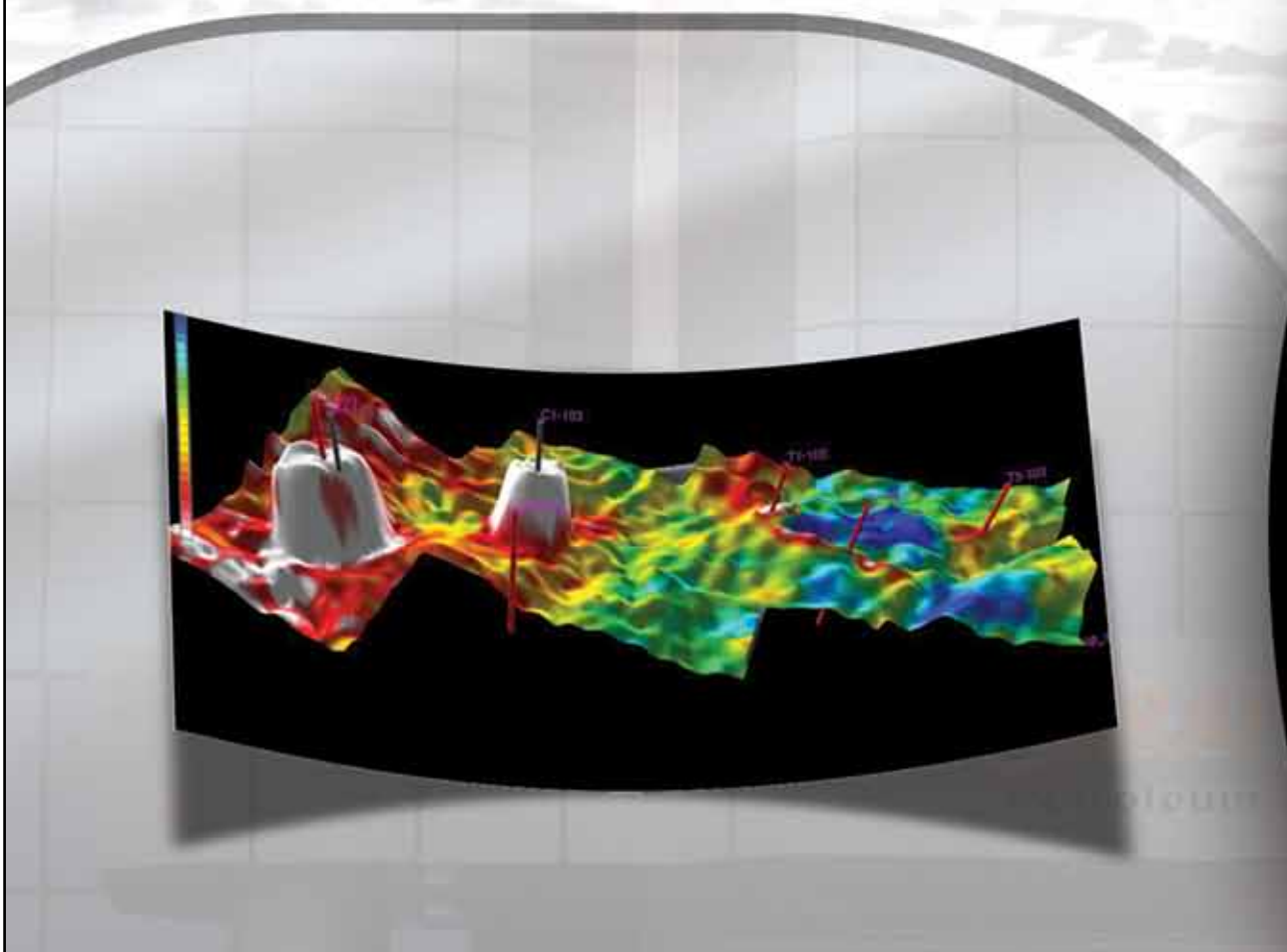


Opec Basket Price





PETROGRAPHICS
Petroleum Services



**Seismic Processing
Reservoir Studies
Data Management
Consultancy**

HEAD OFFICE

Egypt - Cairo

Free Zone - Nasr City, Street 14-Block 3B,
Tel : +20 2 2273 1829
+20 2 2271 9132, 133
Fax : +20 2 2275 2348
info@petrographics-eg.com

LIBYA - Tripoli

164 Nasr Street,
Tel : +218 21 333 1902
Fax : +218 21 333 1902
libya@petrographics-eg.com

ALGERIA - Alger

70 Lotissement La Bruyera,
Villa No: 11, Bouzareah
Tel : +213 21 925285
Fax : +213 21 925285
algeria@petrographics-eg.com

SYRIA - Damascus

10 Taha Hussein st,
El Mazza, Villat Gharbia
Tel : +963 11 613 1414
Fax : +963 11 613 5383
syria@petrographics-eg.com

KUWAIT - Al Ahmadi

Al Ahmadi Governorate
Mangaf, Block 1 No 33
Tel : +965 9721 7564
Fax : +965 9721 7564
kuwait@petrographics-eg.com

GHANA - ACCRA

East Legon
American House
Tel : +233 27955 8694
ghana@petrographics-eg.com

Helping maximize your reservoir value.



Contact your local Baker Hughes representative or visit us online and find out how we can help you cut costs while advancing your reservoir's performance.

Our experts will work with you to evaluate your needs and to engineer optimal wellbore construction and production systems. Every day, in Egypt and around the world, these solutions help clients like you improve operating efficiency, decrease risk, and maximize hydrocarbon recovery.

Count on Baker Hughes for innovative technologies and customized solutions designed to meet your needs in every phase of hydrocarbon recovery and processing.



 bakerhughes.com

