

Fueling the industry with foreign investment

Over the last quarter of 2009, rumors spread in every corner in the country claiming that major foreign companies plan to decrease, if not discontinue, the volume of their investments and operations in the country due to the deteriorating status of the industry. Some said that foreign partners do not get their share from the EGPC and that negatively affected their financial standard. That is why we raised the question: what is the investment budget of foreign companies in 2010?

By Yomna Bassiouni

Despite the suspicious mood dominating the beginning of 2010 in terms of economic recovery, there is an optimistic vision for a better market condition in 2010. Many analysts believe that the shadow of last year crisis is getting to an end and that the already taken precautions enable more secured plans for the new year operations.

Chief Executive of the Egyptian General Petroleum Corporation (EGPC), Abdel Alim Taha praised the continued flow of national and foreign investments at a record pace -despite the financial crisis during the year (2008/2009)- about \$8.9 billion, including \$7.5 billion foreign investment in research and exploration, gas and petrochemical projects, in addition to \$2 billion investment to drill 520 exploratory wells that support Egypt's oil reserves.

Taha said that according to plans, Egypt's production of crude oil, condensates and natural gas will reach two million barrels per day during the year (2009/2010), pointing to the increased rates of domestic consumption of oil and gas products to 6% annually.

Paving the road for investments and solving any pending problems with foreign companies, the Egyptian Minister of Petroleum

Eng. Sameh Fahmy held a number of meetings with top management of several international companies to discuss their 2010 plans.

BP to invest \$10 billion

British Petroleum (BP) Chief Executive Officer, Tony Hayward announced that BP on the verge of spending \$10 billion on the gas and oil exploration in Egypt in the next upcoming years.

"The company will invest \$10 billion in the Egyptian market in the coming few years," said Hayward.

These statements were made after BP chief executive met with the country's prime minister, Ahmed Nazif and the Minister of Petroleum.

BP and the Italian multinational oil and gas company Eni SpA offered the Egyptian government a second LNG train at Damietta with a capacity of around two billion cubic meters per year.

Eni SpA has stakes in the LNG processing unit already functional at Damietta, in association with Spain's Union Fenosa.

Apache boosts Western Desert investments
U.S. Apache Corp agreed to invest an additional \$1 billion on gas and oil exploration, specifically in the Western Desert.

Over the past 15 years, Apache's investments in the country have reached \$8 billion. The American corporation has an outstanding portfolio in Egypt and has reflected its interest in the Western Desert with three oil and gas discoveries achieved last April.

Apache is categorized as the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the second largest in Egypt. The company's production totaled 26% of the region's production at the end of the 2009 third quarter, which was 450,247 barrels per day (bpd).

According to Apache analysis, during the third quarter 2009, the Egypt Region achieved new daily gross production records for gross oil and condensate at 174,600 barrels per day (Bpd) and gross gas at 807 million cubic feet of gas per day (MMcfd). Net production was 155,600 Boe per day, a 1.6 percent decrease from the second quarter, while gross production increased by 16,700 Boe per day or 6 percent, from 273,800 to 290,500 Boe per day. The region completed 134 of 146 wells and conducted 650 workovers and recompletions through the third quarter 2009.

On the edge for more BG operations

At the end of 2009 Q3, BG group announced that their total capital investment counted for £1 419 million comprised investments in Americas (£906 million), Europe and Central Asia (£251 million), Africa, Middle East and Asia (£207 million) and finally Australia (£55 million). LNG total operating profit for the quarter was £304 million.

BG Group's share of operating profit from liquefaction activities increased by 25% to £45 million principally due to higher profits at Egyptian LNG and the effects of the stronger US\$/UK£ exchange rate. Although the company has not announced its 2010 plan yet, industry analysts expect more involvement and higher investment budget.

Last August, BG Egypt announced the delivery of first gas from the Sequoia subsea development located 90 kilometers offshore Egypt in the Mediterranean Sea.

Straddling both the West Delta Deep Marine and Rosetta concessions, the Sequoia unitized development brings into production six new subsea wells, three located in each of the concessions, which will help maintain overall plateau production.



Mr. Maurizio Coratella, Edison Country Manager

What is the volume of Edison investments in Egypt in 2010?

In 2010, we will have a very aggressive plan of investments, with approximately \$400 million. The investments will be mainly dedicated to the Abu Qir concession, with our partner the Egyptian General Petroleum Corporation (EGPC). We recently had a general assembly with the EGPC, during which Edison presented its 2010-2011 plan for AQP (Abu Qir Petroleum Joint Venture) that would start in July, with the beginning of the fiscal year. These investments will be targeting some exploration goals in addition to some development activities that would help us increase our production with respect to our 2009 production rate.

Can you specify how would Edison allocate the \$400-million budget exactly?

For development phase, among the various concessions, an average of \$270-300 million will

be directed for this phase, which is more than half the budget. Specifically for Abu Qir we will need to develop our assets: additional wells, some interventions in the offshore (three new platforms to be likely awarded) in addition to some other activities in the onshore facilities that need specific enhancements to cope with the expected increase of production.

Hence, major investment will be targeting capital expenses will be mainly directed to the Abu Qir Concession.

The remaining budget will be allocated for exploration activities. We are currently in the exploration phase in two other concessions: the Western Desert (West Wadi El Rayan) and the Western Mediterranean Area (Sidi Abdel Rahman)

Are you expecting new discoveries for Edison this year?

We hope so! After a year from the acquisition and further geological/geophysical analysis of the Abu Qir concession we,ve a better understanding

Edison: an aggressive \$400 million investment in 2010

Made a historic deal at a time when everybody was cutting down their investments, believed in the high potentials of Abu Qir Concession and trusted their expertise and abilities to achieve prosperous accomplishments, Edison promises more vigorous plans this year in Egypt as Mr. Maurizio Coratella, Edison Country Manager, told Egypt Oil & Gas

By Mohamed Fouad

of the overall potentials and we, re confident that our exploration activities will lead us to significant discoveries. In the other concessions, we have ongoing operations, with good overall results. The successful outcome of all of our exploration activities will be positive both for the Company and for the Country.

How do you compare your 2010 investment plan to last year?

Given the current situation of the market and the status of other contractors, I believe that this year we have a very aggressive and vigorous investment plan. To compare this year with the 2009 it is a „little%o misleading. In 2009 we have finalized the acquisition of the Abu Qir Concession with an extraordinary effort of above \$1.4 billion

What did the historic deal between Edison-Ministry of Petroleum for Abu Qir add to your company?

Actually, this deal has brought us back in forces to Egypt, as we were here from the 1990s and known by our active operations in the upstream sector. So, the Abu Qir deal reflected our strong commitment to the

country and the long-term targets we have.

Was not it a challenge for Edison to have such a huge \$1.4-billion investment commitment in the middle of the economic crisis?

As a matter of fact, the negotiations and preparations for this historic deal were conducted some time before the year of 2009. The overall prospect of the market was completely different when we first showed our interest in the Abu Qir Concession. The high potentials we saw in this concession pushed us to speed up the acquisition process and to allocate the needed investment for it. We, re the second largest energy Company in Italy with strong ambitions to grow abroad, mainly in the Mediterranean area and the Balkans. Abu Qir deal is part of our commitment to ensure more independence in the hydrocarbons supply; so, it, s a long-term investment which goes beyond the temporary periods of economic downturn.

Have the EGPC payment delays affected your company?

Of course, most of contractors are impacted by

European companies come first

The Egyptian petroleum industry has always been one of the favorable environments for foreign investments, which are not just good sources for economic revenues, but a way to be locally updated with the latest international operational techniques and expertise

By Tamer Abdel Aziz

In Egypt, foreign companies have the upper hand in the industry, whether through the E&P companies or the service companies. The reason behind the increasing number of foreign firms in the country compared to local ones lies in various factors, among which their financial backbone able to face any market or operations challenges and their technological advancement used in their E&P operations. Moreover, the Egyptian Ministries of Petroleum and Investment are continuously adopting vigorous campaigns to lure foreign investments to the country.

According to the Ministry of Petroleum website, the European companies top the list of foreign companies operating in Egypt as 27 European firms are currently holding operations in various areas. Out of which, there are nine British E&P companies, led by British Petroleum (BP) and British Gas (BG), three Greek companies, in addition to Italian (Agip and Edison), Swiss and Austrian companies, each with two firms. The remaining nine European companies are presented by Germany, Russia, Ukraine, Croatia, Ireland, Norway, Spain and France.

In the second place come the American corporations, with a total of 12 companies currently operating in Egypt, led by Apache, which recently announced the increase of its investments by \$1 billion.

As for the third place, there are 27 other companies from Asia, Canada and South America.

these delays and this could lead contractors to revisit their commitments in the country. In the case of Edison, we are continuously and closely monitoring our level of exposure. However, since we want to develop our assets to make an efficient use of the reserves, of course we need to be paid to carry on with our investment plan.

What is your daily production rate?

From Abu Qir, the daily production rate averages 150 million standard cubic feet of gas.

What is your expected 2010 production rate?

We expect to exceed the 200 million cubic feet in 2010.

What is the timeline of your development phase?

Our program for the fiscal year of 2010-2011 is targeting the 200 million cubic feet production level, so throughout this fiscal year, we will be implementing the plan I mentioned earlier

We will have also exploration activities in the Abu Qir Concession, and we foresee exploration activities in both is the so called shallow horizon and the deep horizon which is targeting hydrocarbons at rather critical depths.

Do you have any expansion plans in Egypt?

With this level of investment, Egypt has become a very strategic country for us. We have other concessions which are in the exploration phase so far. Results have shown high potentials for production increases. In the Western

Desert we have a concession mainly targeting oil; it's a small reservoir but we already succeeded to put it on the development phase with a daily production of nearly 1000 barrels a day.

Do you consider the Western Desert a future potential for oil production?

I think that Western Desert is an absolutely promising area as we have the example of Apache, which has been very successful.

Edison is preparing for drilling another exploratory well in next May.

What were the major accomplishments of Edison in 2009 in Egypt?

Definitely, the acquisition of Abu Qir Concession was our major achievement last year. Moreover, we succeeded in the challenge following the acquisition, which is to run an entire organization to implement our plans for this project and conduct our operations.

How would you position yourself between other operators in Egypt?

Major international companies have been operating in Egypt for 40-50 years, so their position is much more consolidated compared to Edison, one. Yet, we are strengthening our stand in the country through targeted investments and by bringing our experience and skills. We have a strong belief that we can close that gap. We are gaining a very good knowledge of the country and we are committed to consolidate our long term relationship with the EGPC and EGAS.

El-Sharkawi: at least 20% production increase in 2010

Dana Gas, known by being one of the most active companies in Egypt, celebrated the new year of 2010 with the successful achievement of its 2009 production target in excess of 40 thousand boepd

By Yomna Bassiouni

Throughout 2009, Dana Gas Egypt delivered an average production rate of 34,750 barrels of oil equivalent per day (boepd), which The continuous series of outstanding records hit by Dana Gas have placed the company as the sixth highest natural gas producer in Egypt. Ahmed Al Arbeed, Dana Gas CEO, said, "We are very pleased with the continuing success of our Egypt drilling campaign, which started in 2008. This campaign has already yielded very positive re-



Dr. Hany El-Sharkawi, President of Dana Gas Egypt

sults for us and we will continue with our exploration campaign, we will develop our discoveries, all aimed at growing Dana Gas production operations in Egypt".

Dr. Hany El-Sharkawi, President of Dana Gas Egypt, believes that this year will be "a busy year" for the company. "We have had a number of significant discoveries in Egypt in 2008 and 2009. It is clear that 2010 will also be a very busy year for us, as we develop all these discoveries and continue with our exploration-drilling program in the Nile Delta and Upper Egypt. We look forward with confidence, building on the success to date," he told Egypt Oil & Gas Newspaper (EOG).

EOG: What were Dana Gas major discoveries and achievements during 2009?

HE: Last year witnessed a total of nine discoveries; eight of which are gas and one oil discovery. The gas discoveries in the country announced throughout 2009 are Salma-1, West Manzala-2, Azhar-1, Tulip-1, Shara-bas-1, Sama-1, Faraskur-1 and Marzouk-2. While, the ninth oil discovery is from the Orchid-1 well. This series of achievements led to a 20% production increase compared to 2008.

Moreover, Dana Gas succeeded to keep its safety records significantly below industry average.

EOG: What were the results of your latest 2009 discovery the Orchid-1?

HE: The Orchid-1 well was drilled in the West Manzala concession of the Nile Delta, 1.3 kilometres to the west of the Azhar1 well, and encountered 8.4 meters of net pay of excellent sand reservoir of Kafr El Sheikh formation, and tested dry gas at a rate of 12.6 million standard cubic feet of gas per day. Dana Gas is currently studying the options for producing Orchid-1 discovery through either its El Wastani or South El Manzala gas plants. The preliminary estimated recoverable reserves of the Orchid discovery range between 10-50 billion cubic feet (bcf) of dry gas, pending further appraisal.

EOG: What is your production target for 2010?

HE: We are seeking another production increase of at least 20% by the end of 2010.

EOG: How much investment are you planning to spend this year?

HE: Our investment budget this year will be higher than 2009 and 2008.

EOG: In a press conference headed by Eng.

Sameh Fahmy, Ministry of Petroleum, it was said that Dana Gas is to construct a refinery unit near El-Baraka Field. Can you give us more information?

HE: A third party has presented a proposal to construct a small oil refinery near Al Baraka field and it is estimated that it will be completed by the end of 2010.

EOG: What is Dana Gas E&P agenda for 2010?

HE: We will continue our exploration-drilling program and develop the gas reserves discovered in 2009 to bring on stream by year-end.

EOG: Have your revenues been affected by the global economic crisis?

HE: Definitely, we were affected to some extent, but not significantly due to the liquid component that represents a small portion of our production.

Dana Gas Egypt inaugurated the series of 2010 discoveries by oil hit in Komombo Concession, where oil flew naturally to surface for the first time in this concession. The Al Baraka-4 well, drilled as an appraisal of the Al Baraka Field in southern Egypt, discovered a new pool in the Six Hills "E" reservoir. The well is currently on-stream producing at a rate more than five times the sustained flow rate from any previous well in the field. It encountered 16 meters of net oil pay in the previously defined reservoirs in addition to eight meters in the new Six Hills "E" layer. The new reservoir is proving to be more productive than the currently producing zones, having tested oil with natural flow to surface at a rate of 220 bopd. It is the first well on the Concession to flow oil to the surface through the natural energy of the reservoir, without requiring artificial lift. The volume of reserves discovered is under evaluation.

"Al Baraka-4 expands a new era of petroleum exploration in Southern Egypt. The fact that oil has flowed naturally to surface from a new layer with better reservoir quality demonstrates that the Komombo basin is more prolific than originally thought," commented El-Sharkawi on the discovery.