



New frontiers

TOGY talks to

Sherif ISMAIL, President
**GANOUB EL WADI PETROLEUM
 HOLDING COMPANY (GANOPE)**

Created specifically to develop Upper Egypt's underappreciated energy potential, GANOPE has gone from strength to strength, reporting numerous discoveries across its 223,000 square kilometre area of operations. As such, the company stands to offset Egypt's declining energy production of recent years, as well as create renewed interest in the sector and the region.

The Oil & Gas Year: *What led to the creation of GANOPE, and how have you set about developing the Upper Egypt region?*

Sherif Ismail: Upper Egypt accounts for almost 70 percent of the Egyptian landmass. Before GANOPE came on the scene, only 12 wells had been drilled in the area. In order to promote Upper Egypt, GANOPE was formed to promote oil and gas activities in the area by attracting foreign direct investment and ensuring that Upper Egypt will be playing a major role in the oil and gas industry in the future.

So far we have issued six bid rounds resulting in 15 concession agreements covering 223,000 square kilometres. Our minimum commitment in the concession agreements is approximately half a billion US dollars to perform seismic surveys and drill a minimum of 65 wells.

Alongside the active exploration we are currently engaged in a major gas pipeline project that will have a huge impact on the business environment in Upper Egypt.

TOGY: *Successful drilling in two separate geological structures at Kom Ombo was a major coup for Egypt and GANOPE. How has this particular play energised further exploration and development of Upper Egypt?*

SI: Success at Kom Ombo broadcast a message to all international companies operating in Egypt that there is a proven hydrocarbon system in the area. Kom Ombo has been producing since December 2007 with production to date standing at 70,000 barrels.

From this September GANOPE and Dana Gas will be drilling two more wells and performing hydro-fracturing to enhance production. The future plan includes drilling an additional 20 wells, with an expected increase in production of 2,000 barrels of oil per day. On top of this

drilling in Upper Egypt is relatively inexpensive as the area is primarily onshore.

TOGY: *Given the success experienced by EGAS in their 2008 bid round, what are your expectations for the 2009 GANOPE round?*

SI: During 2008 and early 2009 GANOPE had two bid rounds that were both successful. We were able to secure five additional concessions, bringing the total number of agreements signed to 15. Operators of the five new concessions have committed a minimum of 155 million US dollars to covering seismic work and drilling a minimum of 17 wells.

"In the past few years the Egyptian petroleum sector has been able to reverse the decline in oil production."

Currently we have two active bid rounds. The first is in conjunction with EGPC and includes three blocks in the Eastern Desert and the southern part of the Gulf of Suez.

The second is for one block known as the Sea Bird. During the 1980s and 1990s seven wells were drilled in the area, five of which were successfully tested and produced oil and gas. Accordingly we trust that the both bid rounds will be successful and will secure additional exploration activities.

TOGY: *With companies like Dana Gas, Groundstar Resources, IPR Oil and Hellenic Petroleum all reporting discoveries over the last few months, is*



GANOPE's 17 concession agreements plan for 65 new wells, which will draw in a huge amount of investment and promise to greatly increase production

Upper Egypt tailor made for small to medium-sized exploration companies?

SI: To a certain extent this is true. However, I do believe that big companies are monitoring the situation, and once a major discovery is made in the area there will be a rush. One only has to look at what is happening in the Western Desert. If we have a similar breakthrough in Upper Egypt we can expect to reap the same dividends.

TOGY: *How far can discoveries and production from Upper Egypt go towards reversing Egypt's declining oil yields?*

SI: In the past few years the Egyptian petroleum sector has been able to reverse the decline in oil production. This is down to recent discoveries in the Western Desert and massive infrastructure investments.

As for production from Upper Egypt, it is too soon to judge. The area will take time and investment to reach its potential. However, I am optimistic about Upper Egypt and I believe that the efforts will yield good results.

TOGY: *How integral is GANOPE, and the exploration it encourages, to the overall development of Upper Egypt?*

SI: GANOPE's mandate extends beyond exploration. We are participating in a number of new companies established for the purpose of attracting direct investment and promoting employment opportunities in Upper Egypt. Furthermore, we have the responsibility of supervising the Upper Egypt gas pipeline project. At a cost of over 1 billion US dollars, the 930-kilometre pipeline will create new synergies in the area and, together with the extensive ongoing exploration, will definitely contribute to the overall development of Upper Egypt.

TOGY: *How has the Egyptian exploration industry been hit by the global financial crisis?*

SI: The hit was not as dramatic as one might expect. Companies were trying to understand what is happening and where the industry was heading. Inevitably this resulted in the postponement of some activities. Appropriate measures implemented by the Ministry of Petroleum and Mineral Resources and the normalisation of world crude oil prices will both contribute to a speedy recovery.

“The 930-kilometre gas pipeline will definitely contribute to the overall development of Upper Egypt.”

TOGY: *How can Egypt capitalise on its geographical location, abundant manpower and diversified hydrocarbons activities to emerge as a regional and worldwide petroleum power?*

SI: I trust that the Egyptian petroleum sector has several key projects in the pipeline that will help cement its place as a regional and global hydrocarbons superpower. These include the Arab Gas Pipeline; the liquid natural gas hubs in Idku and Damietta; the continuing development of general infrastructure; the ongoing creation of oil and gas pipelines and petroleum storage and export facilities; the ECHEM's wide-reaching master plan for petrochemicals the establishment of refineries such as Midor; and the continuing evolution of concession agreements and legal frameworks.