



Hamid Jafar, Executive Chairman of Dana Gas.

Dana Gas ended 2007 in a healthy financial position, earning its first revenues and operating income. The company's financials showed revenues in excess of Dhs1 billion (\$272 million), cash from operations of Dhs478 million (\$130 million), and total assets growth of 59 per cent from the previous year, to Dhs10.8 billion (\$2.94 billion).

However, the company will pay no dividends to shareholders from 2007 earnings as it channels cash into investments, believing that the investments are expected to yield better returns for shareholders. The board will review the dividend policy next year, says Hamid Jafar, Executive Chairman of Dana Gas.

"[The year] 2007 was a very important foundation year for Dana Gas with major investments and important milestones achieved, highlighted by the acquisition of Canada's Centurion Energy, strong position in Egypt and northern Iraq and the success of the \$1 billion Sukuk, which showed international confidence in the company," says Jafar.

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A busy pipeline

If 2007 was an active year for Dana Gas, then 2008 is going to be even more so as the Abu Dhabi-listed company hunts for more acquisitions, undertakes increased upstream and downstream projects and develops 'gas cities' across the region. By STANLEY CARVALHO.

these achievements from 2008 onward with the expected operational start up of two of our major projects and others to follow," he predicts. Indeed, Dana Gas has come a long way in only its first two years and is already a major player in the region's energy sector.

This year could well be a significant year for the Middle East's first regional private sector natural gas company as it begins importing the much-awaited Iranian gas and starts production in northern Iraq for supplies to the Kurdish region. All this and more as oil prices continue to soar over \$120 a barrel while international investors evince keen interest in the region's rich energy sector.

"With oil prices now over \$100 per barrel and increasing interest in the energy sector worldwide and especially our region, Dana Gas is the only publicly-listed gas resource company in the Gulf, and has already established strong positions in the UAE, Egypt and Iraq, in all areas of the natural gas business – from exploration and production, to processing and pipeline transmission, and through to gas marketing and downstream projects," says Jafar.

"For 2008, Dana Gas aims to build on the strong foundations of 2007. In addition to the expected start-up of operations and revenues from both the import of Iranian gas and the Kurdistan region's gas projects by the middle of this year, the company is also implementing an active \$170 million drilling campaign of 19 new wells in Egypt, where we hope to increase our gas reserves to significantly increase production, and take full advantage of

high energy prices," says Jafar.

In addition to its major investments and expansions in Egypt, Northern Iraq, and closer to home in the new concession offshore Sharjah, Dana Gas will also be expanding a unique concept of developing 'Gas Cities' in other countries of the region, and pursuing further opportunities and acquisitions currently under active study in the Gulf region and in North Africa.

Explaining the concept of gas cities, Jafar says the idea is to create market hubs for natural gas while benefiting the host countries. "It will be different in different countries and in each case, it will be customised as per local needs," he offers.

After considerable delay, Dana Gas will also start importing gas from Iran sometime in the second half of this year, states Jafar. "From our side, we are ready but on the Iranian side, they have just installed the last facilities at the offshore platform which is a huge one. Commissioning is going on now and we expect the first gas to flow in the middle of this year. Even the pipeline is ready," he explains.

The project involves Iran supplying gas from its offshore Salman field in the Gulf to Sharjah-based Crescent Petroleum, a shareholder in Dana. Dana Gas will process and distribute the fuel in the UAE. The initial deal was for a supply of 600 million cubic feet per day (cfed) of gas and first delivery was expected in mid-2006.

IRAQ SOLID

Dana Gas and the Iraqi government have already initiated plans for a large gas-fed industrial complex to be named Kurdistan Gas City that may include petrochemical, metals and other heavy industry plants. "The feasibility study is completed, the site has been identified and it is advanc-

ing very well and this city will serve as a model for the other projects in the region," claims Jafar.

"The gas city will be the first of its kind in the Middle East, and a unique concept that Dana Gas and Crescent Petroleum aim to bring to other locations in the region also, with a focus on gas utilisation to maximise inward investment and local job creation," he maintains.

Meanwhile, Dana Gas will begin supplying gas to the Kurdish region from a field in northern Iraq by mid-year, six months later than planned. The start-up is later than initially scheduled because the power station that the gas will fuel has yet to be completed. "The project is on track for first gas supply of 150 million cfd of gas by the middle of this year, rising to 300 million cfd by early 2009," says Jafar, adding that the project is 70 per cent complete.

"Dana's estimate for total investment in the project has risen to \$650 million, including the second phase, up from the \$400 million investment," points out Jafar. The investment is the single largest private sector investment in Iraq since 2003, when the US led an invasion of the country. The gas is to supply two power plants with capacity to generate 1,250 megawatts of power under construction near the cities of Arbil and Sulaimaniya.

Dana won a service contract from the regional authority in April 2007 for the rapid installation of processing and transmission facilities at the Khor Mor field to begin supplying gas for power generation by January 2008. The project also required the construction of a 180km of pipelines for the gas.

This year will also see Dana Gas stepping up its drilling activities in Egypt where the company has made significant investments, thus doubling its natural gas reserves there. Dana, which relies on Egypt for the bulk of its income, plans to spend more than \$170 million drilling 19 new wells in Egypt before the end of 2008, compared with 10 wells with investments of \$56 million in 2007.

Egypt holds Africa's third-largest natural gas reserves after Algeria and Nigeria. "The gas sector in Egypt is expanding rapidly. This exploration and development programme



could potentially double the size of our reserves," says Jafar. Dana would develop 15 exploration wells and four development wells at the Komombo concession in Upper Egypt and two concessions in the Nile Delta. Dana Gas moved into the Egyptian upstream sector in November 2006 after its C\$1.15 billion (\$1.13 billion) acquisition of Canada's Centurion International.

COMING HOME

On the home front, Dana Gas, finalised in early March an agreement for the exploration and development of the Western Offshore concession in Sharjah. The deal marks the company's entry into the GCC exploration and production sector, and is also the first offshore upstream asset for Dana Gas in the Middle East.

Outlining details, Jafar says the concession agreement covers a total offshore area of over 1,000sq km, and includes the development of the Zora gas field within Sharjah, which was discovered in 1979. The preliminary cost of the development phase of the project is estimated at \$55 million, while the exploration work is estimated at a further \$65 million. The 'Sharjah 2' well, which was drilled by Crescent Petroleum within the concession area in 2001, was successfully proven with an initial gas production rate of 41 million cfd from the Thamama formation.

"Dana Gas is proud to enter into this important agreement, marking the first exploration and production project for the company in the GCC region, and complementing the company's assets and activities in the processing, transportation and marketing of natural gas," states Jafar. Then, in late February this

year, Dana Gas finalised a deal with Emirates General Petroleum Corporation (Emarat) to form a joint venture to own, manage and operate the Middle East's first common user gas pipeline, which is almost complete.

Dana Gas and Emarat, along with the three end-users – the Federal Electricity and Water Authority of the UAE, the Sharjah Electricity and Water Authority (SEWA), and Dana Gas affiliate Crescent Natural Gas Company – signed the MoU for the implementation and utilisation of the pipeline in January 2006. Dana Gas and Emarat each have a 50 per cent stake in the construction, ownership and operation of the pipeline. Phase one of the project was completed in May 2006 and has since been delivering gas to the SEWA power station at Hamriyah.

The main pipeline of the joint Hamriyah Gas Pipeline Project will have a capacity of 1 billion cfd, and soon after its completion in March this year, the pipeline will deliver gas supplies to the three end-users. "This project is a prime example of the solutions that can be achieved through the cooperation of government and private sector entities," proclaims Jafar.

"The strategic partnership between the two companies for this project in the UAE has been very positive and has laid the groundwork for future projects throughout the region. We see this joint venture agreement as an opportunity to build upon for future cooperation, thereby improving the services to the end users of this vital pipeline."

To achieve a greater level of cooperation in the region's energy sector, Dana Gas sealed another agreement in February this year with Kuwait's Ikarus Petroleum Industries, which owns several petrochemical ventures in the Gulf.

"We will focus specifically on petrochemicals and downstream projects," explains Jafar. Moreover, Dana Gas and Ikarus have agreed to discuss and list any and all projects that may be of mutual interest and that are consistent with each company's strategic objectives, he adds.

"We will also cooperate and coordinate in studying, assessing and negotiating projects and engaging technical and financial consultants, and to cooperate in conducting feasibility studies for any project." As Jafar concludes, this is just the beginning of the journey and "we look forward to continued growth and achievements in 2008 and beyond." ■

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