

Chad/Cameroon Development Project



Report No. 7
Second Quarter 2002

Chad Export Project Report #7

2nd Quarter 2002

This report has been prepared by Esso Exploration and Production Chad Inc., in its capacity as Operator of the Consortium and as Project Management Company on behalf of the Tchad Oil Transportation Company S.A. (TOTCO) and the Cameroon Oil Transportation Company S.A. (COTCO).

Preface

This seventh in the series of Quarterly Reports for the Chad Export Project (also referred to as the Chad/Cameroon Development Project) covers the period from April 2002 through June 2002.

This report reflects the work of the Project operating company and its contractors with a particular focus on compliance with the Environmental Management Plan. Several entities share responsibility for implementing the Project.

- Oilfield development in Chad is conducted by Esso Exploration and Production Chad Inc. (EEPCI) on behalf of the Consortium (Esso, Petronas, ChevronTexaco).
- Pipeline activities in Chad are conducted by the Tchad Oil Transportation Company S.A. (TOTCO).
- Pipeline activities in Cameroon are conducted by the Cameroon Oil Transportation Company S.A. (COTCO).
- During construction, EEPCI is providing project management services to TOTCO and COTCO.

Quarterly Reports are submitted through, and subject to verification by, the World Bank and Lender Group as a reporting requirement of the Project's partnership with the Bank and the two host countries. Annual Project Summaries are also published early in each year.

This Quarterly Report also represents a commitment to transparency by Esso and its co-venture companies, Petronas and ChevronTexaco. By publishing this information, the Project wishes to make it possible for the citizens of the host countries, interested non-governmental organizations (NGOs), the World Bank and Lender Group, and others to stay well informed about the Project as it unfolds.

All Quarterly/Annual Reports are published on the Project's website (www.essochad.com). A limited quantity of printed reports are also distributed to stakeholders in fulfillment of reporting requirements and to make information available to the citizens of Chad and Cameroon where very few people have access to the Internet. This Quarterly Report is also available in French.

Please note that October 2000 has been designated as the official start date of the Project for the purposes of data compilation. For consistency, monetary unit conversions have been based on a rate of 650 FCFA to one U.S. dollar.

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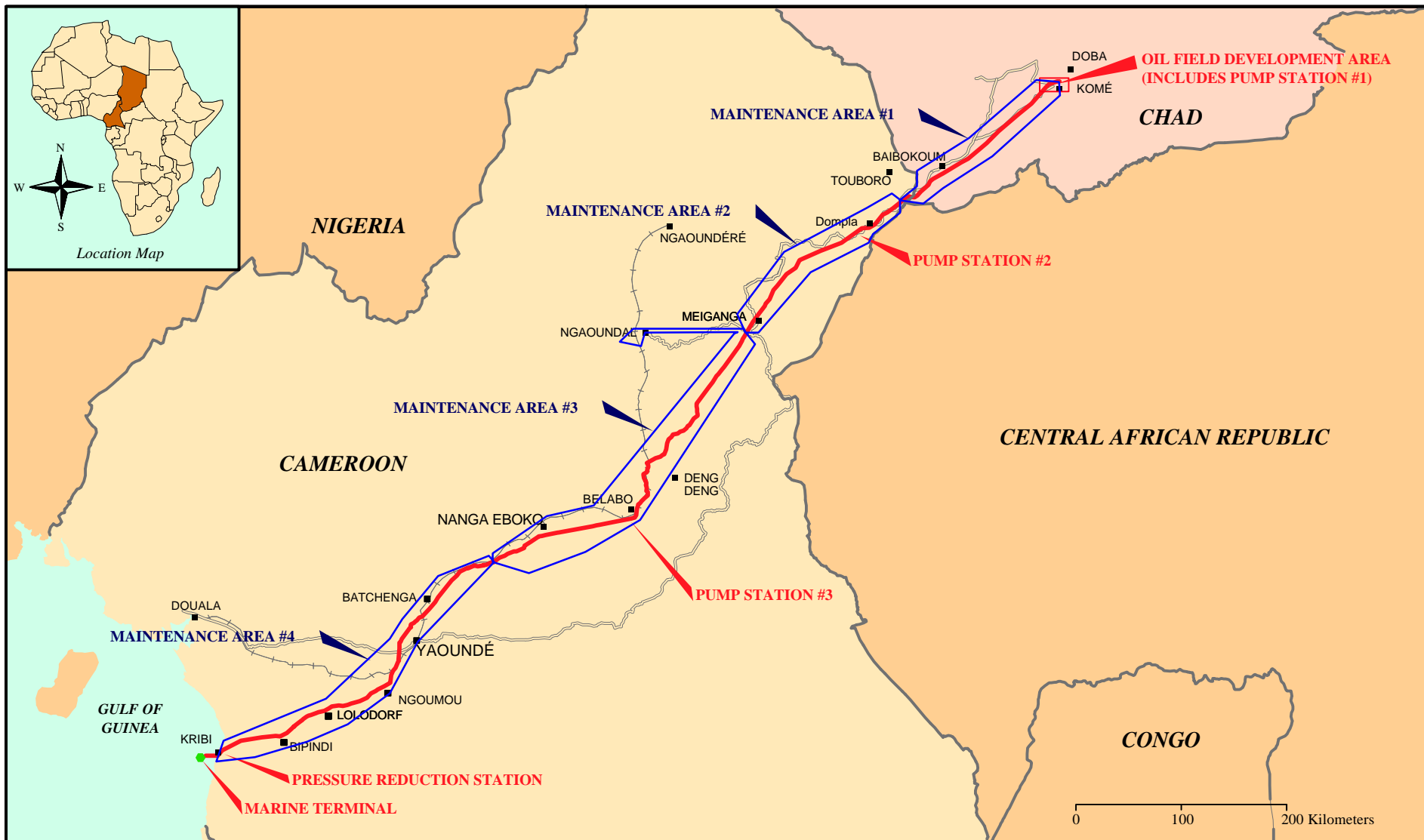
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Snapshot Summary of the Quarter

- All five of the Project's oil well rigs have been put to work of the oilfields in southern Chad.
- Construction crews have welded together and buried in the ground more than 45% of the export pipeline. Pipeline construction advanced about three kilometers per day, despite the arrival of the first storms of the rainy season as the quarter was ending.
- Steel erection, including the fabrication of crude oil storage tanks, started at the central oilfield facility in Chad. Foundations have nearly been completed at the permanent facilities along the pipeline in Cameroon, those being the two pump stations and the Pressure Reducing Station.
- Work is nearly completed on the road upgrade that allows freight to be transported from the railhead in Cameroon to the oilfield area in southern Chad. The new M'bére River Bridge, a part of the road upgrade project, has been opened for public use.
- Field monitors recorded a total of 47 Environmental Management Plan non-compliance situations this quarter.
 - 0 Level III, 5 Level II, and 42 Level I non-compliance situations were recorded.
- Only five minor Project reportable spills occurred this quarter, with the largest being approximately 400 liters in volume.
- Tragically, a man lost his life in a heavy equipment accident this quarter. The accident took place after the driver had finished for the day at his assigned work site as he was returning a front end loader to base along the Bélabo-Goyoum public road, which is not the property of nor controlled by the Project. An investigation has been conducted for this accident and appropriate actions have been taken to help prevent a similar accident in the future.
- More than 15,000 Chadians and Cameroonians participated in public consultation sessions this quarter approximately 400 meetings.
 - Consultation started in southern Chad in preparation for the arrival of pipeline construction teams in the third quarter.

- Consultations have been held with villages in the vicinity of a limited number of non-standard oil well testing sites. Specially designed incinerators will be used to dispose of oil and water produced during the short-duration clean-up/testing of these wells in a safe and environmentally responsible manner.
- Work has started in both Chad and Cameroon on post-construction disposition of temporary facilities such as bridges and camps. Communities generally want the temporary facilities left in place but safety, environmental, and liability issues must be resolved on a case-by-case basis in order to determine if it is appropriate to do so.
- As of the end of the quarter, the Project has paid over 5.6 billion FCFA (\$8.6 million) in cash and in-kind compensation to individual land users, with over 360 million FCFA (\$550 thousand) added to the total this quarter.
- An independent study of the impact of the Project on the economy of Cameroon, funded by COTCO, has projected substantial short- and long-term economic benefits from Project activities.
 - During the three-year construction phase, the Project's procurement of goods and services and payment of wages in Cameroon will increase the Gross Domestic Product of the nation by an estimated 2%.
 - During the 25-30 year operations phase, the Project's procurement of goods and services, payment of wages, and pipeline tariffs will raise the Gross Domestic Product of Cameroon by an estimated 1%.
- The Project's direct workforce climbed above 11,000 people this quarter. Chadians and Cameroonians constituted approximately 86% of the workforce. Wages paid to Chadian and Cameroonian workers totaled approximately 7 billion FCFA (over \$10.7 million) for the quarter, up about 17% from the previous quarterly reporting period.
- The Project spent over 60 billion FCFA (over \$92 million) purchasing goods and services from Chadian and Cameroonian suppliers this quarter, an increase of almost 14% over the previous quarter.
- The number of worker training sessions conducted by the Project increased by about 50% from the previous quarter, reaching a total of 2,100 sessions. High skills training doubled from the previous quarter, to over 1,000 training sessions.

- Two Project contractor workers died this quarter from malaria.
 - Sadly, an investigation has determined that the two men had not been taking their anti-malaria medication (chemoprophylaxis). This is in contrast to their attested commitment to take chemoprophylaxis.
 - In response to this tragedy, the Project started planning for a new program aimed at ensuring the proper use of effective anti-malaria medication by non-immune workers.
- Implementation of the Roll Back Malaria program continued this quarter.
 - In Chad, the two NGOs implementing the field program, AMASOT and ACODE, conducted malaria education and bed net distribution programs in 87 villages, with nearly 29,900 people benefitting.
 - In Cameroon, 35,000 anti-mosquito bed nets have been ordered for distribution, which will begin by the end of the year. A Cameroonian NGO has been chosen to distribute the nets.
- The Foundation for Development and Environment in Cameroon has chosen the Wildlife Conservation Society as the Implementing Organization for the Foundation's work in the new M'bam and Djerem National Park.
- The first four Indigenous Peoples Program initiatives have been funded by the Foundation. The initiatives will:
 - Help Bagyeli/Bakola people get national identity cards.
 - Provide vaccines, staff and transportation for a tuberculosis vaccination program.
 - Fund some child and adult education programs.
 - Help improve Bagyeli/Bakola agricultural practices and crop yields.



LEGEND

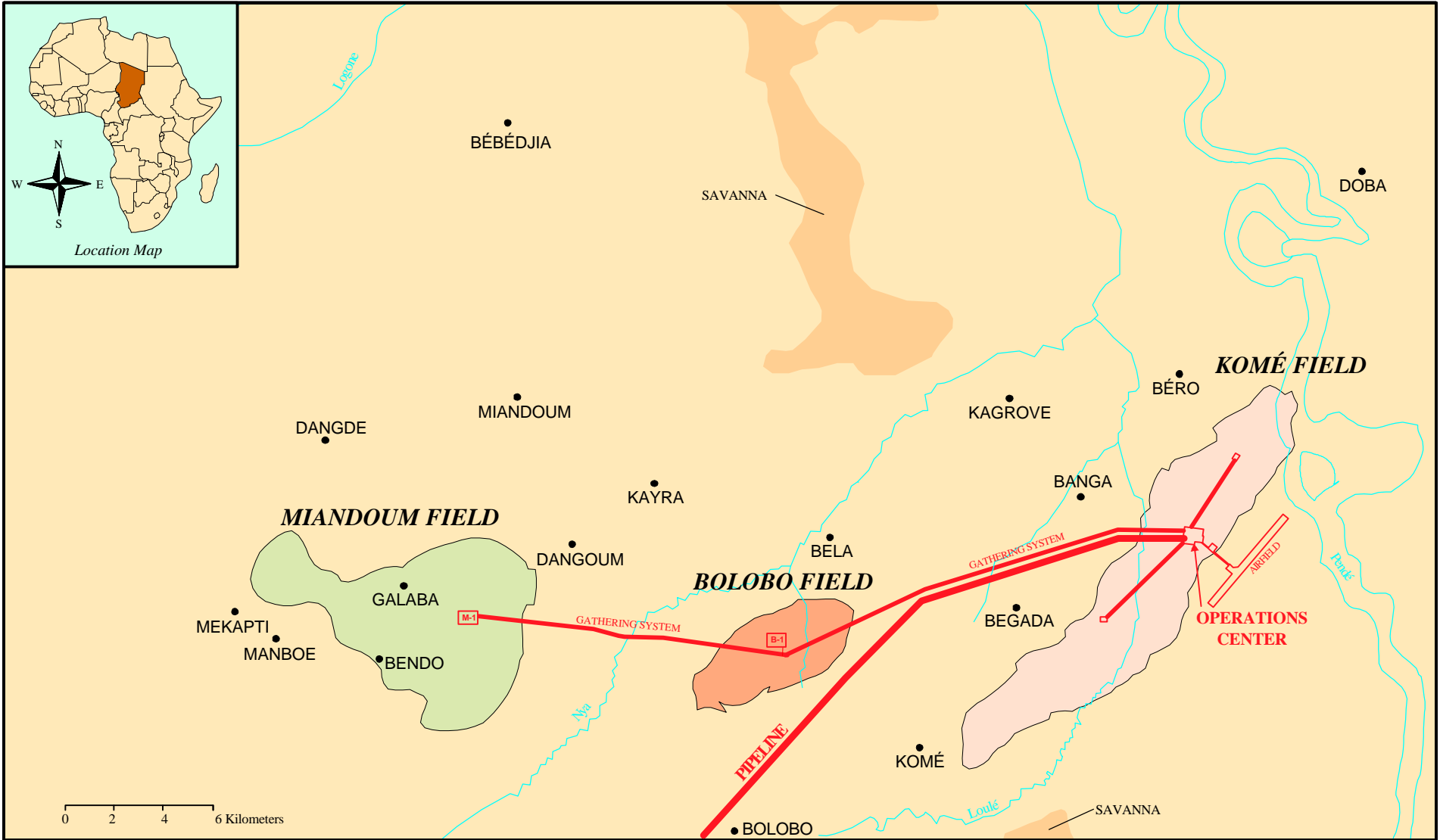
- Oil Field Development Area
- Pipeline
- International Boundaries
- Maintenance Area Boundaries
- Major Roads (In Study Area)
- Railroad
- Marine Terminal (FSO)

Chad Export Project

OVERVIEW OF PIPELINE TRANSPORTATION SYSTEM



FIGURE 1-2



LEGEND	
Komé Field	Villages / Towns
Miandoum Field	Gathering Stations
Bolobo Field	Rivers

Chad Export Project

OVERVIEW OF THE OIL FIELD PROJECT AREA (from Chad EA)


DAMES & MOORE
A DAMES & MOORE GROUP COMPANY

FIGURE 1-1