

# **Chad Export Project Report #14**

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## **1st Quarter 2004**

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

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This fourteenth in the series of Quarterly Reports for the Chad Export Project (also referred to as the Chad/Cameroon Development Project) covers the period from January 2004 through March 2004.

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

The Quarterly and Annual Reports are posted on the Project's website ([www.essochad.com](http://www.essochad.com)). A limited quantity of printed reports is also distributed to stakeholders in fulfillment of reporting requirements and to make information more readily 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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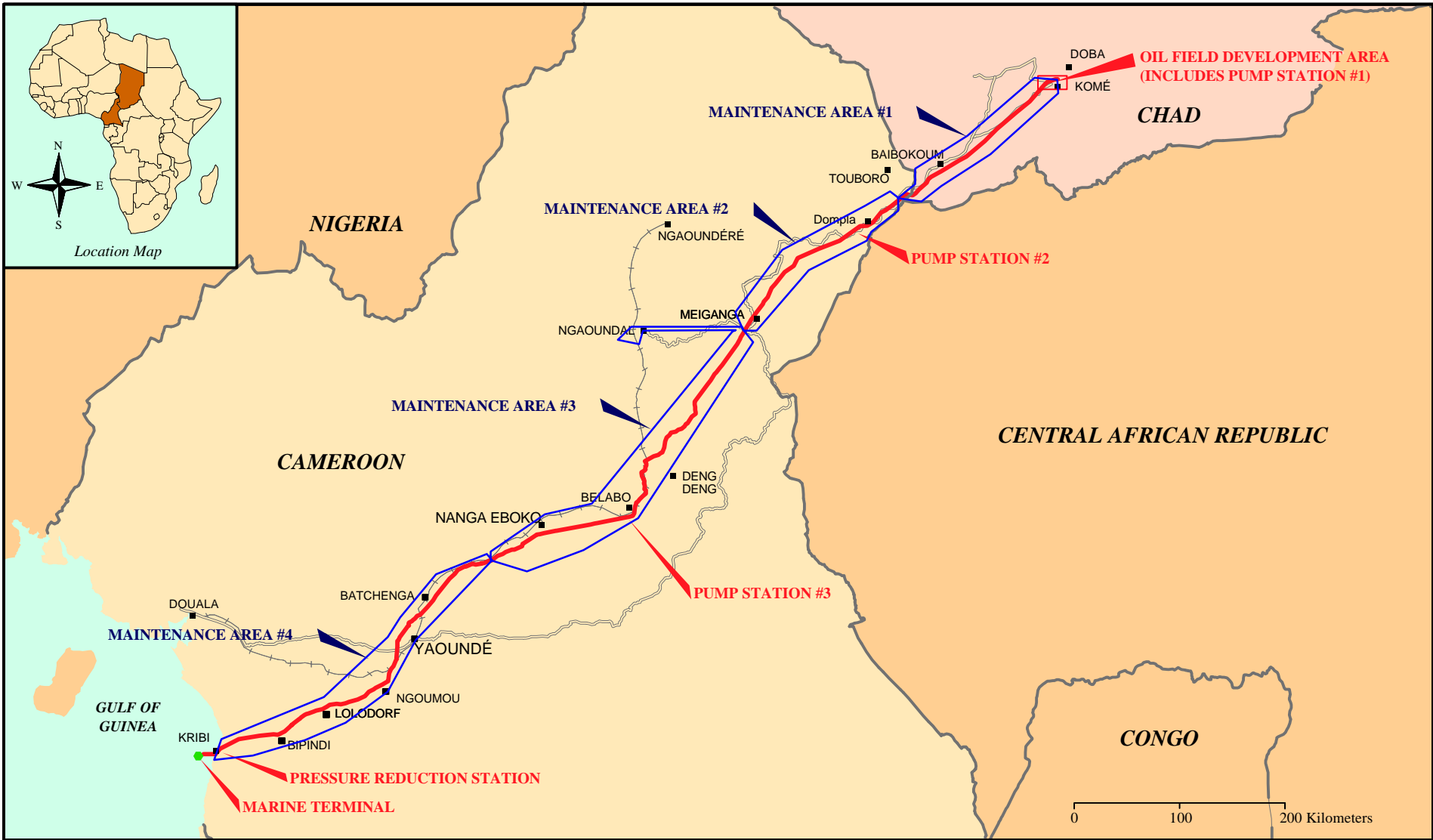
## **Snapshot Summary of the Quarter**

- The Project remains on schedule to reach its maximum production level in 2004.
  - Construction of the Project's central oilfield facilities has now been completed and all of the facilities have been put into service.
  - The second of three oilfields has been brought on line, providing a new major source of crude oil.
  - A new single-day oilfield production volume record was set as the quarter was ending. Over 196,000 barrels of oil were pumped into the pipeline in one 24 hour period.
  - Since production began, a total of 19 export tankers have called at the marine terminal and 18.2 million barrels of oil have been shipped to market.
- Testing continues in an effort to find additional oil resources in southern Chad and initial results have been encouraging.
  - A decision has not yet been made to proceed but steps have been taken to meet commitments that new development providing crude oil to the pipeline will comply with the principles of the original three-field Project Environmental Management Plan.
  - Collaboration has begun with the Chadian government to plan the potential new development in order to limit environmental and socioeconomic impacts, and to ensure the population gains benefits from employment and local business spending.
- Field monitors recorded a total of seven Environmental Management Plan non-compliance situations in the first quarter of 2004. All were classified as Level I situations, the lowest level of non-compliance. Two minor spills were reported this quarter.
- A fatal accident involving a piece of heavy equipment resulted in the death of a Chadian worker on a Project construction site in the oilfield area. An investigation has been conducted and a series of steps taken to help prevent similar accidents in the future.

- Despite this accident, the Project's overall safety performance remains very good.
  - The Project's cumulative recordable incident rate since construction began is 0.39 incidents per 200,000 work hours. By contrast, the U.S. construction industry reports a rate of 7.10. The International Association of Oil And Gas Producers report a rate of 1.39 for North America and Europe.
  - The Project's injury traffic accident rate for the first quarter of 2004 was 87 per 100 million miles traveled, well below the U.S. rate of 103 injury accidents per 100 million miles traveled.
- The Project consultation program reached nearly 10,000 people in the first quarter of 2004, through a total of 300 public consultation sessions.
  - The social closure process in Cameroon was completed, a systematic consultation process that verifies the Project has kept its socioeconomic commitments to each community and that all issues have been discussed and, where possible, resolved.
  - In Chad, a significant focus of consultation was in the area of a potential new development, where a consultation team met with the residents of 47 villages, reaching more than 1,500 people.
- Total individual land use compensation paid by the Project in Chad and Cameroon has reached nearly 8.1 billion FCFA (\$12.4 million) in cash and in-kind compensation.
  - In Chad, individual compensation distributed in the first quarter totaled 207 million FCFA (\$319 thousand).
  - In Cameroon, individual compensation paid in the first quarter was 56 million FCFA (\$86 thousand).
- The Project's community compensation program reached two milestones this quarter.
  - In Chad, community compensation moved into its second phase with 17 new community micro-development projects under construction and 42 more projects out for bid. A total of 25 education, community facility, and water projects have been completed so far.
  - In Cameroon, the community and regional compensation program has been virtually completed. Every category of work is at or near the 100% mark.
- Operations began this quarter at the Project's two permanent waste management facilities.
  - The facility at Bélabo, Cameroon, was in full operation as the quarter closed, and nearly all of the stored waste at that location had been processed.
  - The facility at Komé, Chad, was in the startup process at the end of the quarter, with retrofitting and upgrades being made to the incinerator for hazardous waste. Stored waste processing was about to commence.
- After months of field research and four thousand interviews in the villages of southern Chad, a research team has determined that the Chad/Cameroon Development Project has significantly improved living conditions for people living in the oilfield and pipeline areas.
  - The finding is based on a village-by-village socioeconomic index score similar to the United Nations Human Development Index. Project-area villages scored in a range that was about twice as high on the socioeconomic index as the study's control villages, which are located outside the Project area.

- People in the Project area tended to have better housing. Metal roofs and cemented walls were observed five times more often in Project-area villages compared to the control villages.
- People living in the Project area have better access to improved diets as indicated by their ability to more often obtain meat and fish.
- Nearly all of the households in the Project area (90%) reported using mosquito nets for malaria prevention, a result of the Project-funded Roll Back Malaria campaign. By comparison, 10% of control village households reported using mosquito nets.
- The ongoing completion of major Project construction has continued to drive a downward trend in total employment
  - Overall Project employment fell by about 800 workers. The total at the end of the quarter was just over 4,500 people compared to a peak work force of over 13,000 in late 2002.
  - Employment in Cameroon appears to have stabilized at nearly 800 people since construction was completed nearly one year ago.
  - Total employment in Chad fell to just below 3,800 due to a small decrease in the number of Chadian workers and a large drop in the number of expatriate workers.
- Wages paid to Chadian and Cameroonian workers in the first quarter of 2004 totaled nearly 3.8 billion FCFA (\$5.8 million).
  - Total wage payments to Chadian workers exceeded 3.1 billion FCFA (\$4.8 million).
  - Total wage payments to Cameroonian workers were almost 645 million FCFA (\$0.9 million).
- The percentage of skilled and semi-skilled jobs held by Chadians and Cameroonians has been climbing, rising from 60% at the end of 2002 to 75% at the end of 2003 to 79% at the close of the first quarter of 2004.
- The Project spent 29.6 billion FCFA (\$45.5 million) purchasing goods and services from Chadian and Cameroonian suppliers during the first quarter of 2004.
  - In Cameroon, Project spending with local businesses dropped by 27% in the fourth quarter to 9.6 billion FCFA (\$14.8 million).
  - In Chad, the Project's local business spending spiked upward by 14% compared to the previous quarter, reaching 20.0 billion FCFA (\$30.7 million).
- Project clinics provided over 9,700 worker medical consultations during the first quarter of 2004. The vast majority of these office visits were for relatively minor ailments.
- The Project-supported Roll Back Malaria campaign in Cameroon has completed distribution of anti-mosquito bed nets in its five targeted communities. The latest distribution of 4,000 nets covered the Lolodorf area, including over a dozen surrounding small villages.
- The Project distributed a quantity of surplus medical supplies to the hospital in Kribi, Cameroon. The donated medicine and other supplies was valued at approximately six million FCFA.


- A needs assessment study has been started at the five clinics serving oilfield area communities in southern Chad. The study will support decision making over the next several years on an array of upgrades being considered for the clinics.
- The new Alliance pour le Développement de la Santé (ADS) has received a key funding grant of \$200,000 from the ExxonMobil Foundation. ADS is the non-profit organization established to operate the Reference Center for Infectious Disease (RCID) in southern Chad.
- Development continues on the biodiversity protection program for Cameroon's newly established Mbam and Djérem National Park. The program has been commissioned by the Foundation for Environment and Development in Cameroon (FEDEC).
  - A new research and eco-guard base has been constructed at the northern edge of the Park.
  - Studies have been launched of the local farming, fishing, hunting and herding population in order to help plan programs to educate these traditional users of the Park land on the importance of preserving its biodiversity.
  - A biodiversity research program has been utilizing the Park as a basis for its studies of the effects of mosaic habitats of mixed savanna and forest.
- A community development program has completed its first round of projects in southern Chad, part of a capacity building effort operated by the World Bank in parallel to the Project.
  - The Fonds d'Actions Concertées d'Initiatives Locales (FACIL) program grants loans to local communities for a wide range of projects. The German government development service, Deutscher Entwicklungsdienst (DED), provides management and counsel.
  - Projects to date include a new town water system providing chlorinated, safe drinking water for Bebédjia, as well as a new town hall. The town of Miandoum has a new college level school.



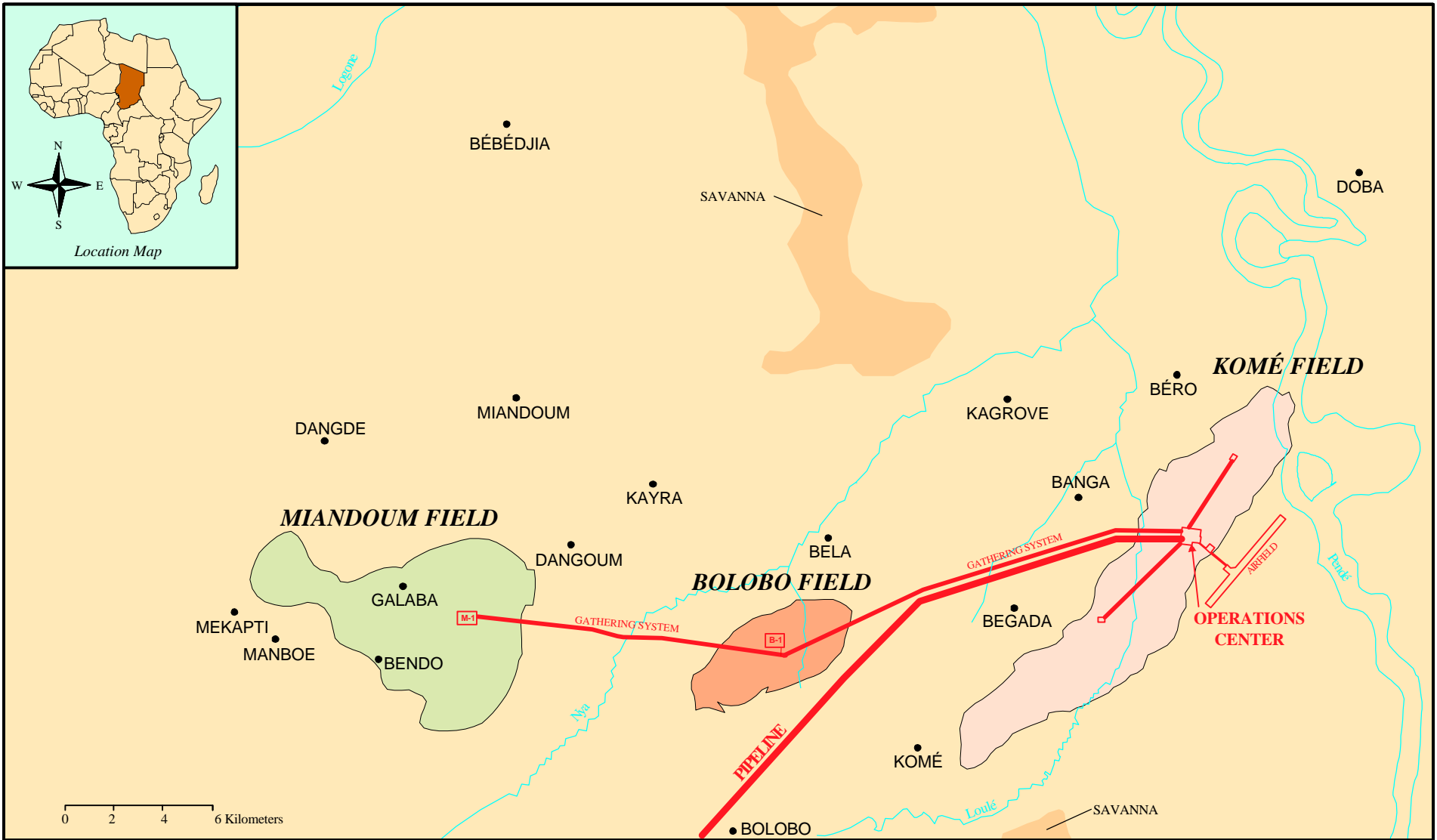
LEGEND	
Oil Field Development Area	Major Roads (In Study Area)
Pipeline	Railroad
International Boundaries	Marine Terminal (FSO)
Maintenance Area Boundaries	

# Chad Export Project

## OVERVIEW OF PIPELINE TRANSPORTATION SYSTEM



**DAMES & MOORE**  
A DAMES & MOORE GROUP COMPANY



**LEGEND**

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

**Chad Export Project**

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

