

KPO CONFIRMS ITS COMMITMENT TO ENVIRONMENT PROTECTION



Karachaganak Petroleum Operating B.V. (KPO) confirms its commitment to environmental excellence at the Karachaganak field, as evidenced by the Memorandum on Mutual Understanding, signed on 29 June by the Minister of Environment Protection of the Republic of Kazakhstan Mrs. Aitkul Samakova, WKO Akim Nurgali Ashimov and KPO General Director Paolo Campelli. KPO has been demonstrating world-class environmental performance by drawing upon best practices used by all four of its partner companies. KPO aims to be

recognised as a leader among the country's petroleum industry in the area of environment. Over the past three years, KPO has invested over \$100 million in various environmental initiatives.

Under the Memorandum, KPO will implement a number of new projects towards further improvement of the ecological balance in the Karachaganak field.

Following the ceremony, Mrs. Aitkul Samakova, the Minister of Environment Protection noted that WKO rates among the country's best off regions in terms of environment. The signed document, she said,

aims to ensure transparency of how the largest industry in the region delivers on its environmental commitments.

Commenting on the event, KPO General Director Paolo Campelli noted that «KPO's operations are regulated through the Final Production Sharing Agreement (FPSA) and fully satisfy the environmental legislation of Kazakhstan. As a contractor to the Republic, the company fully recognizes its responsibility before the RoK Government and the people of the region to preserve the local environment. The newly signed Memorandum will enhance considerably the level of relationship between Ministry of Environment Protection, WKO Akimat and KPO.»

The day before, Mrs. Samakova visited Karachaganak where she met with the KPO management and toured the Karachaganak Processing Complex (KPC) and the Waste Management Complex. According to her she had left the field with a positive impression. «KPO is a serious company, which runs one of the largest operations, and it allocates significant resources to address environmental issues», Mrs. Samakova said.

THE SOIL RECLAMATION PROJECT AT THE GRYPHON ZONE CONTINUES

On July 22nd, representatives from the local and regional mass media visited the Karachaganak field upon invitation of the KPO Department of Environmental Protection. They had been invited for the purpose of becoming acquainted with the results of work that was performed on the biological re-cultivation of the soil at the Gryphon Zone of the Karachaganak oil and gas condensate field.



Before going to the field, the journalists were shown a slide presentation, which was held in the conference hall of the main administrative building of KPO. The following people gave speeches during the presentation: the Environmental Protection Department Manager, Steve Pearson; a specialist from the same department, Sergei Zhukovsky; and Saniya Dzhubaturova, a professor from the M. Utemisov West Kazakhstan State University, who is the supervisor of operations being performed for the reclamation of the soil at the Gryphon Zone.

In their speeches, Mr. Pearson and Mr. Zhukovsky spoke regarding the goal of the presentation, and briefed the mass media on their department's work and KPO's activities in general, which are directed for the improvement of environmental protection procedures.

The so-called Gryphon Zone came about as a result of a huge gas and mud discharge from extreme depths in 1987. As a result, about 500 hectares (1,200 acres) of soil were polluted, and the area was later designated with the name, the «Gryphon Zone». The specific characteristic of this area is that the fertile dark chestnut-colored soil was buried underneath deep layers of lifeless alluvia, reaching up to 100 cm in depth.

In order to restore the polluted areas, beginning from 1999 KPO, together with scientists from Uralsk, have commenced intensive scientific

research on restoring the full fertility of the soil. Through their joint efforts, large-scale operations have been performed to study the chemical and ecological conditions at the polluted area. Based on laboratory research and fieldwork that began from 2000 and continued up to 2002, more effective methods for restoring the soil fertility have been developed and implemented. Experiments have been performed at the field using different crops that are capable of growing in highly alkaline soil, new methods of cultivation have been studied, and various combinations and dosages of fertilisers and phosphogypsum were tried. The field experiments yielded positive results. Based on the experimental results and data that were gathered, a project for the biological re-cultivation of the Gryphon Zone has been developed, and is currently being implemented.

The supervisor of this project, Professor Dzhubaturova, a Ph.D. in agricultural sciences, who also spoke to reporters, said that the main goal of the project is to carry out work directed toward the restoration of the fertility of the soil at the Gryphon Zone to a level that is acceptable for agricultural purposes. The Gryphon Zone is being cleansed step by step, and as the result of the joint efforts that are being implemented strictly according to a timeline for biological re-cultivation, as well as through the results of natural processes, only 53 hectares (130 acres) currently remain non-arable. At present, 12

hectares (30 acres) are subject to re-cultivation. The soil re-cultivation project is scheduled to last until 2010. It complies with standards of the Western-Kazakhstan Regional Office of Environmental Protection, and was approved by KPO's own Environmental Protection Department.

Upon completion of the presentation, the journalists, accompanied by KPO employees, arrived at the Gryphon Zone, where they were able to witness the changes for themselves. Many of the reporters who attended the presentation had been to the Gryphon Zone when the restoration work had just begun. Now however, they saw a completely different situation. Two years ago, there was no vegetation here, and the entire area was a lifeless wasteland. It is now obvious that the work that was performed has provided positive results, and has led to the growth of natural vegetation throughout the majority of the region. In addition, birds have returned to the area, transporting seeds indirectly in the process.

When answering journalists' questions about her assessment of the KPO Ecological Programme as a Kazakhstani scientist, Professor Dzhubaturova said, «As a scientist, I believe that KPO pays a great amount of attention to ecological problems. All of the ecological programmes being performed by KPO are totally necessary for improving the environment.»

KPO COMPLETES CONSTRUCTION OF SURGICAL DEPARTMENT IN URALSK

On July 29 a ceremony to commemorate the opening of a new 180-bed surgical department of the Regional Clinical Hospital, which was constructed as part of the Karachaganak Petroleum Operating B.V. (KPO) social programme, was held in Uralsk.

Attending the ceremony were the RoK Minister of Education and Science Birganym Aitimova, the representatives of WKO Akimat headed by the WKO Akim Nurgaly Ashimov, KPO, contractors, veterans and the medical community of Uralsk.

The construction of the surgical department was completed within a year. Total investment in the development came to \$5 million. The project has included the demolition of the existing surgery, which was in very poor condition and the construction of a new five-storey building that has met Kazakh and international quality standards and has been fully equipped with medical equipment.

Acting KPO Operations Director Nello Paterlini said: «The successful completion of the surgical department demonstrates KPO's commitment towards social infrastructure development in Western Kazakhstan. This is a good contribution to the WKO



community, and we would like to thank everyone who helped us implement this important project».

Nello Paterlini has also handed the keys from a Gazel minivan over to the management of the Regional Hospital. The Gazel will be used to transport sterilised materials and medical instruments.

The new surgical department has six operation blocks, a central autoclave facility, an X-ray room equipped with fluoroscope, ultrasonography and physiotherapeutic rooms, clinical and biochemical laboratories and conference room for 155 seats. The building also accommodates the endoscopy department that has been fully equipped with state-of-the-art medical apparatus.

A transformer sub-station and standby diesel plant have also been built and modern telecommunication, power, heat and water supply and sewer systems have been installed. In addition, an asphalt passageway has been laid down and the project area landscaped.

The general contractor that carried out the construction was Uralsk-based company ZhaikSelStroy.

KPO invests \$10 million annually towards social infrastructure projects in Western Kazakhstan, which include the construction of roads, hospitals, schools and other social facilities. During the 40-year life of the FPSA, this investment will total some \$400 million.

IMPROVING PRODUCTION PERFORMANCE

Mira Abdrakhmanova, a Specialist from JOC Secretariat in Astana has received a BIP Award in recognition of her significant contribution to the KPO's Business Improvement. Mira is a member of JOC Secretariat department which is managed by Kanat Nurakhmetov in Astana.

CPC Crude oil Sales is one of the most profitable

export corridors for KPO and it is essential that KPO's marketing activities and export quotas approval process are as efficient as possible.

Due to problems with the coordination and communication of information with the Ministry of Energy and Natural Resources the process was modified last year whereby Mira coordinated it from the Astana office.

Mira improved liaison with submission of data to the authorities and significantly reduced delays. This is a very good example of cross department teamwork in order to improve the company's business.

Editorial staff of «Karachaganak News» joins together in recognising Mira's contribution and congratulates her on her award.

TESTS KEEP THE STAFF FIT

On July 17, the KPO Emergency Response Department conducted demonstration training to develop their practical skills for overcoming obstacles. The goal was the demonstration of a team effort to follow instructions requiring a fast reaction time, physical power, a sharp mind, and the ability to make decisions quickly in emergency situations.

The training was conducted in a nice spot on the bank of a small river, not far from the Berezovka village. All of the KPO Emergency Response Department personnel, who consisted mainly of Kazakhstani employees, were divided into 4 groups, each of which consisted of 5 people and one leader. Later, each group was assigned a task for overcoming specific obstacles, and the group leaders had to put together a plan of action. The success of each team is determined by how well the plan was thought out. Although the training was conducted in the form of games, each player was very responsible and serious during the process. During the training, which lasted for several hours, elements of teamwork were developed, including urgent interaction, communication skills, and the correct transmission of instructions, planning, data analysis and decision-making.

Mike Smith, the production loss prevention manager, Dick Barton, the emergency response consultant, and Rick Allen, the safety manager, watched the training with attention. They established tasks and make some remarks, and sometimes took part in the training process. Following implementation, task management evaluated each group and discussed what difficulties/challenges were encountered and how they had to be overcome.

According to Mike Smith, despite the fact that it was a serious test for all teams, they all enjoyed participating. «I believe that many participants were able to learn more about themselves and their abilities to overcome obstacles. From our side, we were able to witness what our employees are good at, and we observed their reaction in a variety of situations, including how they worked during emergencies, and most importantly, if they are able to work in teams,» Mike said.

Following the end of the training, each participant had the opportunity to evaluate their own behavior specifically, to determine how effective his/her participation in the team was, and to analyze their ability to solve problems. The most interesting task in the opinion of most participants was the construction of a raft and crossing the water on it. Some were lucky and they were able to get to the other bank while still dry, and others were required to sweat and get wet in order to get to the finish line.



REVIVING THE FORMER GLORY OF THE REGION

In the most recent issue of our newsletter, we wrote that the Burlin land was always proud of its high agricultural harvests, especially for grains, potatoes and vegetables. Although the Karachaganak field is located on the district, the field development has had no impact on the harvests, as some people claim. In order to come to a final conclusion, last year KPO initiated a scientific research project aimed at studying the soil fertility and the development of crop technologies within and around the Karachaganak field. The experimental work is far from complete, but even now we can make some optimistic forecasts.

On July 15, at the experimental field near the Berezovka village, Professor of West Kazakhstan State University, Saniya Dzhubatyrova demonstrated to her visitors, which were representatives from the regional and local media, the initial

results of crop planting that was conducted near Karachaganak. The results left a positive impression on the visitors, who were persuaded that with the right agricultural planting techniques; it is possible to achieve good harvests. Indeed, on a 4-hectare experimental plot, agricultural crops that are traditional for the Burlin district were planted, including two variations of wheat, barley, grain, legumes, food crops, and sunflowers, which triumphantly raised toward the sun.

The story of the project began in the summer 2004, when KPO ordered the experimental agricultural work carried out. A tender was announced,



and WKSU won the tender, since it has many years of experience in growing agricultural crops. Scientific work was conducted that was called, *The Study of the Soil Fertility and the Development of Intensive Safe Crop Technologies*

Within and Around the Karachaganak field.

The project began last year and is led by Professor S. Dzhubatyrova. It is planned for a period of 3 years, but we already can see the positive results of the work that has been completed.

Sergey Zhukovsky, an environmental specialist, answered the questions of journalists at an improvised news conference on the experimental plot and said, "The first priority task for KPO is to do its best to avoid negatively impacting the environment and the soil in the

first place. With this purpose in mind, we have developed current and long-term ecological programmes. The main goal of the project is to study the condition of the agricultural lands, to determine the types of crops that are

good for planting and the development of practical recommendations for the Burlin farmers for agricultural planting in the area of the field."

Project Leader, S. Dzhubatyrova, a doctor of agricultural sciences noted, "Today, the research provides evidence that the condition of the soil in the field zone is good, the plants are undergoing the full cycle of their development and we can obtain large harvests here."

Nurzhan Kamalov, the KPO corporate issues, labour protection, production safety and environmental protection manager commented on the preliminary results of the experiment and noted that this project confirms the obligations on the part of the company to provide all possible assistance for the sustainable development of the regional agricultural sector. "KPO started the implementation of this project with enthusiasm, since its successful realisation will help the revival of the former glory of the Burlin district as the basket of the region and stimulus for local agricultural producers," Kamalov emphasised.

KPO NEWS

On June 29th, the Minister of Environmental Protection of the Republic of Kazakhstan, A.B. Samakova, visited the Karachaganak oil and gas condensate field, where she met with the management of KPO, and became acquainted with the operations of Karachaganak Processing Complex (KPC), and the Waste Utilisation Complex.

KPO and the West Kazakhstan State University are conducting joint scientific research to study soil arability conditions and are searching for the most optimal methods for growing staple crops in the area of the Karachaganak field.

The KPO B.V. Emergency Response Department conducted training for the improvement of skills in cooperative accident prevention.

KPO has provided children and

pensioners who live in eight villages of Burlin District with vouchers for accommodation at the Ak Zhaik Sanatorium.

KPO management has provided assistance to children from the Zhas Dauren Orphanage in Uralsk, through paying for their travel expenses to attend the Don Ulduz International Arts and Crafts Festival for Orphans from Turkic Language Countries, which took place in Baku, the capital of Azerbaijan.

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KPO'S GIFT TO NATURE LOVERS



The West Kazakhstan Oblast Young Biologists Station was established in Uralsk in 1958, and has been operating for over 45 years. During the last 6 years of the station's work, the zoo has been renewed continuously and currently consists of 55 different types of exotic animals, including two bears, wolf cubs, Indian pythons, peacocks and different types of rodents, exotic insects and spiders. The station is never empty, children come here every day and care for the animals with pleasure and conduct scientific research. The children and their supervisors work in the small garden, where fruits and vegetables are being grown, including grapes, cabbages, carrots, beets, etc.. The majority of the products being grown are supplied for the animals, and the surplus is sent to the kindergartens of Uralsk.

One of the goals of the station's work is teaching the children how to conduct scientific research on ecological problems. It is important that staff of the station provide the village children practical and methodological assistance in the organisation of scientific expeditions and gardening work on the testing areas near the schools.

The nature lovers have been collaborating actively for over 10 years with KPO B.V. under the supervision

of Lydiya Yakovlevna Pokatylova. The young biologists of Uralsk often go to the deposit, meet with the Environmental Department staff, discuss cooperative projects and plans and also present a report on the scientific research that they conduct, which is supported by KPO. Specifically, the nature lovers conduct ecological monitoring of the Karachaganak deposit, including research the condition of the soil, tests on the water supply and observations of the animals. According to the Supervisor of the Children's Projects, Lydiya Pokatilova, the main goals of the children's work is aimed at the protection of the soil and water from negative technological influences connected with the production at the Karachaganak deposit.

Unfortunately, due to an absence of transport, the Oblast Young Biologists Station faced a great deal of inconveniences and was not able to provide all of the children with work at the deposit, field practice and expeditions. As a result, the management of the station was forced to petition KPO with a request to provide assistance for obtaining transportation.

The KPO B.V. Sponsorship Committee subsequently approved their request and assisted in obtaining transport for the children.

KAZAKHSTAN TIMIR ZHOLY KURLIS-AKSAI (TKA) - A RELIABLE PARTNER

An interview with the General Director of "Kazakhstan Timir Zholy Kurylis-Aksai" (TKA), Alexander Vladimirovich Mironenko.

In launching the exploration of the Karachaganak field, many Kazakhstani companies have proven that they can work at the most difficult sites building important facilities for the project and performing complicated technical tasks meeting international standards. Today, we would like to talk about the company, *TOO Kazakhstan Timir Zholy Kurylis-Aksai*, the increasing success of which is no doubt closely connected with the exploration of the Karachaganak field. We met the General Director of TKA, A.V. Mironenko, who answered our questions and told about activities of his company.

-Mr. Mironenko, TKA is a relatively young company, which cooperates actively with KPO B.V. and has been located in Aksai ever since 1998. Please provide us with some details about your company, and the main areas of its operations.

-Our company has been working in Aksai ever since 1998, and we do actively cooperate with KPO. Using this opportunity, I would like to thank KPO for the trust that they have showed us during the construction of the important facilities for the project.

KPO is one of the 15 affiliated companies that are members of the ABE Corporation, which is one of the largest companies providing services to oil and gas companies. Today, TKA is a modern, dynamic and quickly developing company, which has a well-developed production facility. We specialize in the construction of new railroads and highways, and transport and utility infrastructure and components including bridges, water supply, industrial and civil premises, and pipes for water, sewage and heating. Aside from these, our company is engaged in the production of reinforced concrete and metal-plastic items, the construction and commissioning of electrical energy facilities, communications, and mechanized production in the developing regions of Kazakhstan.

-As far as I know, the first success of your company was connected with the Karachaganak project, when you took part in the US \$34 MM project for laying the railroad from Aksai to the construction site on the Karachaganak field.

-That is absolutely true. Our company successfully laid a 35 km section of railroad, which was in agreement with the work schedule and planned budget. In addition, we built two railroad stations with

complete infrastructure; one in Aksai and the other near the Karachaganak Processing Complex (KPC). I would like to note that around 2,500 people took part in the construction of the railroad line and stations. At present, this spur is functioning successfully, and is the main route for the delivery of materials and equipment to the field. This was a fully Kazakhstani project. We are proud of our achievements, and we should mention that our company has grown during this project in size and experience. One more mutual project with KPO was the construction of the railroad to the No. 322 junction on the route from Uralsk to Azinki.

-What other work has your company performed by request of KPO?

-Our company has also reconstructed the water supply system in Aksai, including the drilling of new wells, participated in the construction of the chlorine-filter pump station and network, performed the reconstruction of the water-intake facilities at Bestau, conducted excavation and concrete work for the installation of concrete pipes at the Karachaganak field, and took part in the construction of the Karachaganak-Bolshoy Chagan-Atyrau export pipeline.

At present, our company continues to deliver necessary cargo and equipment from Aksai to the Karachaganak Processing Complex for KPO and its major contractors, such as Baker Hughes, BG, Saipem, and others.

-It is known that one of the high priority requirements of KPO regarding its contractors is unconditional adherence to safety measures and environmental protection rules. How does your company deal with these requirements?

-Our company maintains very strict control over the adherence to safety measures and environmental protection regulations. Based on the extensive construction experience of the company, including that which was acquired through cooperation with KPO, our company has developed and constantly improves its practices concerning the protection of labour, sanitary standards, and safety measures. In addition to the general rules on safety measures, we created a comprehensive work plan that incorporates each client's safety guidelines. Thus, during the process of completing orders for KPO, which totaled over 2.5 million man-hours, our company has not lost a single hour of working time due to a breach of safety procedures. We always seek to

complete orders on time, while fully complying with our clients' requirements through thorough planning and control of construction work. We also maintain very strict operational reporting procedures, both on a daily and weekly basis.

-What does your company pay special attention to during the construction of a facility?

-TKA pays special attention to the quality of construction and assembly work, which is assessed in accordance with current legislation, project requirements, construction norms and standards, and relevant legal documents.

-Who assesses the quality of the work done by your employees?

-The supervisors, the workers themselves, the quality engineers, and experts from the construction laboratories all assess the work being performed in accordance with SniP requirements (production and acceptance rules).

-Does your company participate in charity drives and in the regional social life?

-No doubt. As for the region, our company takes a very active part through transferring funds for charity purposes and assisting low-income families. We also constantly sponsor cultural and sporting events.

In regards to our social activities in Aksai, I can say that we funded and built a bowling centre with a swimming pool, which is very popular among the town residents. Our company also constructed the Marco Polo Hotel, one of the most beautiful buildings in Aksai.

-Mr. Mironenko, thank you for the interview. We wish your company success.

-I also thank you for the opportunity to speak about our company. From our side, I also would like to wish your newspaper success and prosperity, and I would like to note that thanks to your newspaper, the residents of the Burlin district, and the companies operating here, have learned a great deal about what is happening at the Karachaganak field and about KPO's activity throughout the entire region.

Using this opportunity, I would like to express special gratitude to all of the managers at KPO for their understanding and assistance in the improvement of the quality of work performed by our company and for sharing their huge experience with us. Primarily, I would like to show my gratitude toward such KPO employees as Giuseppe Repole, Alesandro Masiero, Sam Carroll, Stanislao Farrentino, and others.