

## PRIME MINISTER OF KAZAKHSTAN VISITS KARACHAGANAK

A two-day working trip began on September 8<sup>th</sup> on the part of the RK Prime Minister, Daniyal Akhmetov to the West Kazakhstan Oblast. The head of the government was accompanied by the Minister of Economics and Budget Planning, Kairat Kelimbetov, the first Vice Minister of Education and Science, Gennadiy Gamarnik, the First Vice Minister of Energy and Mineral Resources, Bakhytkozha Esmuhambetov, the Vice Minister of Finance and Chairman of the Committee for Customs Control Berdybek Saparbaev, the Vice Minister of Finance Gani Uzbekov in addition to the President of NC KazMunayGas JSC Uzakbay Karabalin.

The prime minister stressed that that region has significant potential for economic development. It is worth noting that at the time, during a meeting with students and teachers at the Djangir Khan Temirkhanov West Kazakhstan Agricultural University, Daniyal Akhmetov stressed, "I believe that there are significant prospects for the West Kazakhstan Oblast. I am absolutely confident that in the future, the West Kazakhstan Oblast will receive new technology for the petrochemical sector, and the block in the West Kazakhstan Oblast especially interests the Kazakhstani government, and it is one of my main goals for today to conduct negotiations on building infrastructure for the petrochemical industry. This is the future for your oblast and I would like to sincerely say that it is a very optimistic one".

Following his arrival in Uralsk, Daniyal Akhmetov went to West Kazakhstan Machine Building Company JSC, the former Metallist Plant. During the initial years of independence, the enterprise passed through periods of deep crisis and revival of its production. Only following



a bankruptcy and reconstruction did the enterprise begin to produce new, but peacetime oriented products.

The Prime Minister also met with the plant staff, where they inspected some examples of agricultural technology and equipment for the oil and gas sector. The staff demonstrated improved models for reheating ovens that are used in the oil and gas, petroleum processing and petrochemical sector. The company also produces convenient and usable wagons, module rotational facilities, and spare parts for drilling equipment. When talking with the younger workers, he queried on their labour conditions, the level of salaries and discussed the extensive opportunities the young people have to continue their education.

It is essential that the dynamic development of the economy be connected with a growth of consumption of electrical energy. Connected with this, the Priural'e energy independence program was created. Mr. Akhmetov became acquainted with the progress of its implementation during his visit to the Uralsk TPP, at which, the construction of a new 26.9 MW gas-turbine electrical station is

being completed. This is a joint Kazakhstani-Japanese project being implemented by the Japanese government, the WKO Akimat and the Karachaganak Petroleum Operating B.V. Construction work is being conducted by a famous energy Japanese company, Tohoku Electrical Power, which utilises world class technologies, which will allow it to increase the effectiveness of installation and ecological safety. The latest generation of equipment is being produced by Hitachi. According to the assurances given on the part of the Japanese partners, who are working in close contact with the Kazakhstani side, these include know-how related to turbo construction. The construction of a gas turbine electrical station was started during September of last year, and it is planned to complete the construction by the end of 2005. KPO has allocated US \$7.3 MM for the implementation of the project, in addition to US \$10 MM annual being allocated for the development of social infrastructure in the WKO. The project was created by an initiative on the part of the WKO Oblast Akimat and the Japanese government and KPO B.V provided joint financing.

Daniyal Akhmetov also visited construction sites in Uralsk, and inspected apartments at the recently built houses of eighty families, and he was satisfied with the quality of work.

All of these apartments were bought through mortgages, and the cost of 1 square metre was US \$300. Young families and state officials were more privileged when determining eligibility for the mortgages.

When talking with the management of construction companies, Mr. Akhmetov spoke of the necessity for cooperation, and for participation in the development of production of existing construction materials and the creation of new construction enterprises.

Later, the head of the government also visited the house museum of the artist, Saken Gumarov, and went to a concert performed by the Garifulla Kurmangaliyev Oblast Philharmonic Orchestra.

The programme for the second day of the prime minister's business trip was also a full one, and included a trip to infrastructure objects that are not only regionally important, but also vital for the national economy. The second day in Priural'e was dedicated to getting acquainted

with the staff training system for preparing personnel for working in new sectors and establishing priorities for industrial projects.

The Prime Minister also visited the Surgery Complex that was opened over one month ago at the Oblast Clinical Hospital. This department was one of the projects that were implemented as part of the KPO B.V. social programme. All divisions of the complex are equipped with modern medical technology and equipment. In addition, a transformer substation and reserve diesel electrical station was constructed, modern telecommunications systems were connected, electrical and heating energy supply systems were installed and an overall grounds improvement project was conducted. The total volume of KPO's investments for this piece of social infrastructure totaled US \$5 MM. During a meeting with personnel at the facility, the prime minister asked them how effectively the facility was being used, as well as on the level of qualifications held by the medical staff. Mr. Akhmetov stressed that it is also necessary to continue work on the improvement of the material basis in regional hospitals.

During a meeting with teachers and students at the West Kazakhstan Agricultural Technical University, Mr. Akhmetov said that he arrived in the region by order of President Nursultan Nazarbaev. During a visit in May to Priural'e, Mr. Nazarbaev pointed out a number of goals for the improvement of the economic potential of the region, and the solution of certain social problems. These issues are now being solved at the governmental level.

When discussing the economy, the prime minister said that the country has gained a position of sustainable growth, and the results of the market reforms that have been

conducted are being felt more. This fact is an essential result of the implementation of the Kazakhstan-2030 Strategic Plan. Thanks to this established policy, we are now able to construct ambitious plans, and the young will implement them.

Following the meeting with teachers and students from WKATU, the prime minister flew by helicopter to the Karachaganak oil and gas condensate deposit. This deposit is generally considered to be a unique one, as it contains the largest hydrocarbon resources in the world, with 1.2 billion tonnes of oil and over 1.35 trillion cubic metres of gas. In addition, Karachaganak means huge investments, thousands of jobs, the training of highly qualified specialists and production meeting international standards.

Daniyal Akhmetov conducted a business meeting at Karachaganak with the partners in the Karachaganak project and the management of KPO B.V. The General Director of KPO, Paolo Campelli updated the PM on the implementation of the Kara-chaganak project and the company's social programme, as part of which, KPO invests US \$10 MM annually into social infrastructure development in the WKO. In general, the prime minister expressed his satisfaction with the progress of the project's implementation. The discussion also touched upon the implementation of the president's order for the construction of the Karachaganak-Uralsk gas pipeline, which will provide the left bank of the Ural with cheap gas.

During the briefing, the prime minister stressed that solid prospects exist for the development of the West Kazakhstan Oblast. The region has all necessary potential to implement the plans that were devised on a nationwide scale.

## KPO TAKES PART IN KIOGE 2005



The 13<sup>th</sup> regular Kazakhstan international oil and gas exhibition and conference, KIOGE 2005 took place from October 4<sup>th</sup> until the 7<sup>th</sup> at the Atakent Centre for Business Cooperation in Almaty, which is considered the largest in the Caspian region and Central Asia. This is an annual event that has been conducted ever since 1991, and KIOGE has created a reputation as the most popular and prestigious event in the oil and gas industry of Kazakhstan. Its participants include the heads of the world's largest oil and gas production and service companies, international financial organizations, and representatives of official government circles from all over the world.

The Kazakhstani government, represented by the Ministry of Energy and Mineral Resources and KMG, traditionally take an active part in the exhibition.

This year, over 400 foreign and domestic companies participated, including the BG Group, Chevron, Shell, LUKOIL, Total, Statoil, Agip KCO, KMG,

Rosneft and many others. As in previous years, KPO was represented at KIOGE 2005 with a large delegation of 20 people, including representatives from various departments led by General Director, Paolo Campelli.

On the second day of the exhibition, the traditional International Kazakhstan Oil and Gas Conference opened, which has become not only a forum for the discussion of strategies and the prospects for development of the national oil and gas industry, but is also a place for official and unofficial meetings with potential partners and colleagues. In the opinion of all participants, the International Conference is the place where one is able to not only announce achievements, but also to share problems, conduct negotiations, make deals, and learn about new advancements in the high technology, on changes in legislation or issues surrounding the regulation of environmental operations.

Great interest was generated among all participants by the

speech given by KPO General Director, Paolo Campelli, who gave a detailed presentation on the development of Karachaganak.

KIOGE 2005 was visited by thousands of residents and guests of Almaty, and the KPO exhibition display, a 96 sq m area, made a positive impression on all visitors, including government representatives and foreign embassies, businesspeople, technical experts, journalists and students. They all had an opportunity to find out about the new production facilities at Karachaganak, and to receive first-hand information on the personnel nationalization program, the company's participation in the development of the WKO social infrastructure, the work being done for environmental protection and the provision of safe operations. Each visitor was able to find something useful and interesting, the students and young professionals were interested in the prospects for employment in the company, and journalists received the latest news on KPO operations, as well as the main events related to the development of Karachaganak, as described in the special issue of the KPO newspaper *the Karachaganak News*.

The KPO's exhibition booth has attracted great attention on the part of numerous visitors. On the final day KPO was awarded a special prize for the best booth design as well as a certificate of gratitude for the active participation at KIOGE-2005.

## KPO PRODUCTION FACILITIES UNDERGO PLANNED MAINTENANCE



"Karachaganak Petroleum Operating B.V." (KPO) has conducted the annual shutdown activities at the Karachaganak facilities. Completed in early October, this five-month programme included planned maintenance, modification work and necessary repairs of KPO's production facilities including the Karachaganak Processing Complex (KPC), Unit 2 and Unit 3.

Cameron Crawford, KPO Operations Director, said, «KPO is continually focused on improving its performance by looking for ways to increase efficiency and reduce emissions at our production sites. Annual maintenance is necessary to ensure equipment asset reliability, continued production integrity, and a reduction in the risk of unscheduled outages. We believe this will help us to keep our commitment to excellence in the environmental, health and safety aspects of our operations».

Nurzhan Kamalov, KPO Corporate Affairs & HSE Controller, commented: "RoK law places specific obligations on operators of industrial facilities to carry out inspections of plant and equipment to ensure the integrity of plant. In order to undertake this work, facilities must be shutdown with the need to safely dispose of hydrocarbons prior to inspection and maintenance. In accordance with safety requirements, this activity may also necessitate some flaring, which can be seen from the flare stacks and may be associated with some noticeable noise. This can be more evident at night".

"KPO has a comprehensive environmental monitoring programme that includes the continuous monitoring of air quality in and around the field. KPO's Ecology Control Group has four fixed Environmental Monitoring Stations and one mobile laboratory that provide continuous air quality monitoring data. In addition, Gidromet LTD carries out the sampling of air quality around the SPZ boundary and in the villages twice a day. The data is reported in local newspapers on a monthly basis. The ECG also investigates complaints that may be brought to their attention from the local community and informs relevant parties as required", added Kamalov.

## PRESERVING THE ENVIRONMENTAL BALANCE

"Karachaganak Petroleum Operating B.V. (KPO) has produced a new video film called "Preserving the Environmental Balance" which is mainly designed for residents of Burlinskiy district of WKO.

The main idea of the film is to inform clearly on KPO's activities, the facilities ensuring safe production, and health protection of people residing nearby the field. Computer drawing is widely used in the film to simplify the understanding on how the production facilities work including the system of emergency alarm stations. The continuance of the video film is 18 minutes.

Thus, the audience will receive short information on new production facilities and refurbished ones, wells, and a constructed a 160 MW capacity power station in KPC. However, any production operations inevitably affect the environment. This is why large investments on the part of KPO are channeled to projects which guarantee the protection of the environment and the health and safety of the community.

While developing the field KPO is using the best international technologies. KPO is continuing to conduct a large number of joint research projects with Kazakhstan institutes and universities, and is carrying out operations in accordance with the legislation of the Republic of Kazakhstan, and in close cooperation with local regulatory agencies, Akimat, Maslikhat and the community.

Naturally, it is not possible to completely eliminate impact on

the environment, but the company is managing to lower it to a safe, minimum level. The main goal of the environmental programmes is to protect the air, soil and water, and the flora and fauna of Karachaganak. The company develops an annual monitoring programme in accordance with the requirements of environmental legislation, and this is agreed upon with ecological, sanitary-epidemiological and subsoil preservation authorities. Under this programme, a contractor is selected to carry out the work. Since 1996, the Gidromet Ltd lab has been the main Karachaganak contractor for environmental monitoring. They are currently the only laboratory in Kazakhstan that is accredited by the state standards system for all environment components. The environmental monitoring results show that during the last 5 years the maximum permissible concentration for pollutants has not been exceeded. The company meets the air quality norms across all controlled parameters.

KPO not only monitors the quality of the air in the field, but also at the settlements in the nearby vicinity. 11 villages are being monitored, including Berezovka, Zharsuat, Dimitrovo, Karachaganak, Zhanatalap, Karakemir, Uspenovka, Amangeldy, Bestau, and Tungush, LLP. Ecological posts have also been installed in the villages in the vicinity of the field. Local residents can be assured that the specialists at these stations are monitoring the quality of the air around the clock.



The Karachaganak landscape has begun to change for the better: during the last few years, over 400,000 trees have been planted. They protect the soil from wind and erosion, clean the air and create a favorable microclimate, with birds and animals obtaining new habitats. Since assuming the operation of Karachaganak KPO has invested over 100 million

dollars to implement dozens of environment protection measures. These investments have helped preserve the nature of the region; people sow grains on this land, breed cattle and poultry, animals have gained new habitats and rare species of plants and animals listed in the Book of Endangered Species have appeared anew on the Karachaganak land.

## NICE TRIP!

We are conducting a regular visit to villages near the Karachaganak field accompanying representatives from the KPO sponsorship committee, which have the mission of handing out presents. Before the beginning of the new school year, all parents do their best to prepare everything necessary for the children starting the school year. KPO has decided to allocate funds for school supplies for those who have difficulty providing everything for their children. The children received backpacks containing school supplies, including notebooks, albums, and coloured paper.

The Priural'e School was the first to meet with us. There was little space in the bus because of the multi-colored school bags, which contained supplies that smelled of fresh typographic dyes. The children were happy to unload their presents, and they compared the pictures on the school notebooks and

albums with enthusiasm. The visit on the part of the KPO employees has become a positive tradition, and close relations have been established with the teachers. An art school known as Levsha exists at the Priural'e School, with N. Nyudylchuyev as its headmaster. In June alone, 450 kids from nearby villages became members of crafts groups.

Teachers can now pick the most talented children, who will become real artists. This is now possible thanks to KPO, which provided funds for the purchase of equipment and materials for the school, and provided transport services. Teacher, T.A. Kornienkova thanked KPO for the constant support and assistance on behalf of the teachers and children.

Our path continued on further to the Zharsuat School, which is one of the most beautiful schools following the repairs that were sponsored by KPO. This year, the Zharsuat School took first place



among all of the district schools. Many graduates from last year had received educational grants.

We attended the teachers' discussion regarding the preparation of the schoolchildren for their lessons.

With wishes for further success during the new school year, we continued on our way to the Karachaganak School, where principal N.K. Osmanov met us with the schoolchildren. Only 30 children will begin lessons on September 1st. Due to the difficult living conditions, many residents are now leaving

this village. For many schoolchildren, the presents were just on time, and made the lives of the parents easier.

Overall, the KPO sponsorship committee gave 205 school packages to schoolchildren from 8 villages near the Karachaganak field – Berezovka, Uspenovsk, Zhanatalap, Dimitrovo, Zharsuat, Priural'e, Bestau and Karachaganak. We hope that the children will appreciate the presents from KPO, and their new notebooks will contain only good grades.



## LETTER FROM VILLAGE AKIM TO KPO

The KPO's recently introduced project for rural children called "Mobile Art School" covering six nearby villages is already producing real results.

Not long ago KPO received a letter from Akim of Priuralniy village addressed to General Director Paolo Campelli. The letter reads as follows:

Akimat, teachers and the community of Priuralniy village would like to express appreciation of "Mobile Art School" establishment. Since April 2005 "Levsha" school conducts training for the children as part of the programme on supporting the rural areas. We are aware that their activity is sponsored by KPO. During this period the children defined the disciplines which are mostly interesting

for them.

Children are interested in acquiring new knowledge, which is a pleasure to their parents. This is not just a mere hobby, for many of them it could be a profession in the near future. Real professional, interested people tech wood carving, engraving, sewing, embroidery work, and painting. This school is headed by a famous craftsman in the region Nikolai Nudilichiev, and the teachers M.Nukayev, A.Bergariyeva and S. Mitrofanenko.

Children are happy to visit the school and learn something new. We hope that this activity will be expanding in the future".

## KPO COMPLETES DRILLING OF NEW WELL

With the retrieval of the final whipstock on Sunday 7<sup>th</sup> August, the drilling of 5887 well have been completed in the Karachaganak field. This is the last well in the Phase 2M appraisal programme. Although the process of completing the well is still going on, it is worth recognising the great achievement of this programme and of the very wide range of people across KPO and the Service Companies with the support from Parent Companies, which are partners in the international consortium, operating the Karachaganak oil and gas field.

The Phase 2M appraisal programme was approved by ConCom on 17<sup>th</sup> of March 2003. This was a programme of deepening well 910 and 4 new single branch horizontal wells.

The original schedule anticipated completion of this programme by November 2005, however, it was completed in August, three months ahead of schedule. The cost presented to the ConCom was \$145 million, but the work was done much below this cost.

In place of delivering 4 single branch horizontal wells with only 2 wells cored, we have delivered 2 single branch horizontal, one two branch multilateral and one three branch multilateral. This provides us with production from additional 3 reservoir sections compared with the original commitment. In addition, cores were taken in 3 of these wells as part of a very comprehensive evaluation plan.

In the FPSA of 1998 and the Design Project of 2000 development of Object 3 was recognised as potentially uneconomic. At the end of 2002 we were still in the same situation as the performance of single branch horizontal wells was still unproven and the development of Object 3 was still not economically secure.

Having completed the Phase 2M appraisal plan, the well results are very encouraging. The horizontal wells 5488 and 5790 have moderate and very high productivity respectfully. The multilateral well 6394 has very high productivity and well 5887 has very high reservoir contact. The multilateral design of 5887 has a much greater probability of encountering good reservoir quality than vertical or horizontal well type. This well design concept is a more secure way of obtaining high productivity from the poorer reservoir quality areas of Object 3, and improve oil recovery. The well has yet to be tested to confirm the productivity performance. The very poor productivity performance encountered in the 910 deepening is a reminder of the major challenges we faced at the start of this programme.

We should not underestimate what it has taken to for us all to challenge the way we do things and push our design envelopes and operational experience to deliver 5887. The programme success represents a great commitment and the success of a systematic development of our capabilities.

Object 3 contains some 470 million tonnes of oil in place, nearly 4 billion barrels. With this proven tool kit of well types and the further reservoir understanding developed, we have taken a major step forward in developing this world resource.

## KPO STAFF RECEIVE CERTIFICATES OF HONOR FROM MINISTRY OF ENERGY AND MINERAL RESOURCES

Some pleasant news was received recently at KPO from the RK Ministry of Energy and Mineral Resources. In the letter, which was signed by the RK Minister of Energy and Mineral Resources, Vladimir Shkolnik, it was reported that a number of KPO employees have been awarded certificates of honor by the Ministry of Energy and Mineral Resources for their conscientious work and contribution to the successful implementation of the Karachaganak project, and in connection with the celebration of the Day of Oil and Gas facility workers.

The list of those awarded included the following KPO Employees: Dauletov Ermuhambet, the superintendent of the drilling operations division, Isataev Muhtar, supervisor of the drilling division, Koyanbaev Murat, the duty superintendent of Unit-3, Lukpanov Maksut, KPC supervisor, Djakupov Aybek, HSE technician.

In addition, the letter included a request for KPO management to conduct a presentation on the certification of the abovementioned employees.

The certificates to KPO employees were awarded by KPO General Director Paolo Campelli and Production Director, Cameron Crawford, who thanked them for their personal contribution to the development of the Karachaganak deposit. They also noted that the company is proud of its employees, who have improved the image of the company.

## SUMMER HOLIDAYS IN ITALY

During the summer holidays, 40 schoolchildren from Western-Kazakhstan region had wonderful time at the summer camp Cesenatico at the Adriatic Sea. Besides, the children had not just a rest but replenished their knowledge about the history and culture of the Ancient Roman Empire. Days spent in Italy have become unforgettable to all the schoolchildren.

The trip to Italy was organised and sponsored by Eni Corporation which is the world leader in offshore and sub-sea, gas pipe laying and installation services.

When the children arrived home, the Department of Education of West Kazakhstan has sent a letter to Pietro Cavanna, the Vice-President of Eni Corporation in Kazakhstan, and expressed sincere gratitude to him for arranging the trip for the pupils.

It is necessary to note that a group of pupils to travel to Italy consisted of the best pupils of the region and also pupils from needy families.