

SUCCESSFUL COOPERATION

The successful construction of all the production sites and the commissioning of equipment at the Karachaganak field would be impossible without the participation of Kazakhstani contractors who have proved that they can work at the level of international standards. The former and current KPO management has recognised this fact repeatedly.

Since the Karachaganak development has begun, many Kazakhstani contractors were entrusted to the construction of very important sites for the project. Many are still working for the project.

One such company is BKKS, which was established in May 2001. The company employs 150 Kazakhstani and 10 foreign workers. Despite the company's young age, BKKS has proven to be a reliable firm, and highly qualified specialists work there. Its staff has rich experience at the Karachaganak and Tengiz oil and gas fields.

We met with the BKKS president Zhaslan Dzhakupov, who answered our questions.

- Zhaslan, at what large sites does your company participate at the Karachaganak field?

First of all, I would like to thank your newspaper for the opportunity to discuss our company. Our employees and myself read the "Karachaganak News" newspaper with pleasure, which provides us with knowledge on important events for the project and the region.

Ever since its establishment, BKKS has successfully fulfilled many obligations on several contracts in which the company participated as contractor or subcontractor. One of our company's main large projects was work with General Electric International. We performed commissioning work, the servicing of a gas turbine power station at the Karachaganak Processing Complex with a power capacity of 120 MW (three turbines, 40 MW each). It was a project ordered by KPO, and General Electric was the

general contractor.

After the completion of the construction, BKKS conducted technical support of the power station during the guarantee period, and was in charge of its operation from August 2001 to November 2002. In August 2003, KPO approved BKKS's proposal for the electrical and mechanical work on project sites. As a result, a contract was concluded for electrical maintenance services. The subject of the agreement included the assembly and construction of electrical equipment, new systems and work on the modification of the existing electrical equipment.

Ever since the contract signature, BKKS successfully executed a large volume of orders, including the delivery and installation of electricity metres for Unit 3 and the Waste Utilisation Complex, the replacement of the transformer and electricity metres at Unit 3, the launch of the substation of Unit 3 using equipment from the Scema company, and the assembly and commissioning of the cable at the Unit 3 site, as well as many other types of work.

I would like to note that all of the work was carried out on time according to the schedule and in accordance of KPO technical requirements.

The professionalism on the part of workers completing complex technical tasks, and the high quality of the work was appreciated and recognised by KPO. I believe that the work on the project was an absolute success for cooperation between BKKS and KPO.

- What are you working on now?

In April we concluded a contract with KPO on the expansion of Karachaganak Processing Complex (KPC) power station that included the design, construction, assembly and commissioning of the 4th block of the gas turbine power station. Currently, the project is nearing its completion. In summer 2005 we plan to commission the 4th turbine, which will allow for an increase of the capacity of KPC.

In addition to the project, our company experts service the transformers and the UPS (uninterruptible power system) at all KPO sites. BKKS executes work under a transmission power lines and export pipeline electrical equipment maintenance contract, and works on technical maintenance and repairs of explosion-safe engines at the KPC, under the management of JCE Group specialists.

Our specialists not only work on the Karachaganak field, but in Almaty, Atyrau and Kyzylorda as well.

- What benefits will the launch of 4th gas turbine generator bring?

According to KPO specialists, with the launch of the additional gas turbine generator the capacity for operational flexibility will increase, for example, if repairs are required, and in the event of accidents. Moreover, the launch of the 4th generator is important as the stability of electrical supplies will increase, and a lot of electricity will be delivered at low prices to local and regional electrical networks, which to a great extent will allow them to satisfy the demand for electricity in the WKO.

- What are some other achievements of your company?

First of all, in April 2004, BKKS successfully completed ISO 9000:2001 standards certification. This standard allows for the management of production processes at the company to go to a new level. Secondly, we created our web site, which will provide information on the company. All of this was achieved as a result of close cooperation with KPO, which did a great deal for Kazakhstani companies.

I would like to thank KPO management for their trust in us and their help in improving work, and in that they always have shared their experience. First of all, much thanks to KPO employees Satish Pai, Alan Neil, Sam Carroll, Robert Bayley, Romano Andena, Melvyn Hill and many others.

REPRESENTING COMPANY'S INTERESTS

On December 14, 2003 a significant event took place in KPO B.V. This day in Astana, the new capital of Kazakhstan, KPO opened its Representative Office and the Secretariat of the Joint Operating Committee (JOC). Thus, the opening of KPO's two offices has become an event of exceptional significance for the company's alliance and a new impulse for the further development of Karachaganak field that demonstrated the company's commitment to a Final Production Sharing Agreement (FPSA) signed in November 1998 between the KPO partners and the government of Kazakhstan.

The major reason for the opening of the new offices in the Kazakh capital was to improve the efficiency of cooperation between KPO and Kazakhstan national agencies and departments, especially with the national oil and gas company "KazMunaiGas" (KMG), who is the authorised body in charge of the Karachaganak Project implementation. With the production facilities fully operational KPO was about to move into full production and it was vitally important to effectively coordinate its activities will all related central

bodies and governing authorities.

Claudio Cogliati, who had many years' experience with Agip, was assigned to run representative office as a Manager. Claudio also has extensive experience abroad in such countries as Egypt, Nigeria, and Lybia. He was mainly dedicated to off shore and on shore exploration related activities. First time he arrived in Kazakhstan in 2002 and spent more than one year working for AGIP Caspian sea. Later on, in August, 2003 he was transferred to KPO as Astana Representative Office Manager. His major responsibilities include management of Astana office that is registered entity in Kazakhstan as well as to support activities aimed at raising and promoting image and visibility of KPO with the government authorities and agencies. He is also to work with regulatory authorities in line with KPO headquarters requests and deadlines.

JOC Secretariat is led by Kanat Nurakhmetov. He earlier run KPO office in Almaty and worked as the Deputy Manager of JOC Secretariat. Kanat works with KPO since 1999. His main duties are to prepare and organise JOC meetings, calling of its members, and holding

consultative meetings with KMG representatives.

In accordance with the Final Production Sharing Agreement (FPSA), JOC is the major body to define KPO's policy and plans. JOC's members are to meet 3 times a year and JOC Secretariat is to realize relationship between KPO and KMG. Thus, this includes meetings and conferences, reply letters to KMG numerous requests regarding to all KPO's activities, data collection, translation of documents from Russian into English and vice versa. Apart from that JOC Secretariat is to maintain friendly relationship with representatives of the Authorised body.

Specialists working with JOC Secretariat are considered to be the well-informed people in KPO as they possess various information not only on production development and plans, but on all events taking place in KPO's departments such as HR, Contracts & Procurement, VNDQ, Finance & Control, etc. In addition, JOC Secretariat is responsible to implement relationship with the Ministry of Energy and Mineral Resources of RK.

COMPANY'S MAIN RESOURCE IS QUALIFIED PERSONNEL

KPO management pins the successes of the company to the largest extent on the professional work of its personnel. The company recognised sound investment into local personnel as a priority long ago. Foreign shareholders, by their own admission are certain of the fact that the process for the nationalisation of personnel should contribute to the further efficient management of the Karachaganak project.

An international conference entitled, *Human Resource Management at Oil and Gas Companies* was held at the Rakhat Palace Hotel in Almaty during the end of March. The national company, KazMunaiGas initiated and organised the forum. Representatives from KPO, including Robert Tomas, the HR Controller, also participated.

Personnel and management were regarded as currently the most urgent for the oil and gas sector during the conference. The 240 participants at the conference represented 103 companies and organisations from many countries around the world, and proved the fact that the subject of the conference is a vital one for everyone.

During the plenary sessions and the work of various groups, conference participants considered issues on the replacement of foreign professionals with Kazakhstani citizens, and also discussed problems surrounding Kazakhstani labour legislation, and shared corporate experience in the training and development of personnel; as well as assessment systems for each employee; the facilitation of international educational standards; and the management of innovation projects and programmes at oil and gas enterprises.

The fact that the President of the NC KazMunaiGas JSC, Uzakbay Karabalin participated attached additional significance to the

conference, and he stressed that qualified and skillful employees are the main resources of a company, and the most important precondition for any success. The oil and gas sector currently faces a serious lack of highly professional specialists. The development of the huge oil and gas reserves, especially in the Kazakhstani section of the Caspian shelf, will require thousands of highly skilled specialists of all levels in the near future, starting from regular workers to project managers. This is why it is necessary to train them immediately. Uzakbay Karabalin also noted that one would be able to achieve success in this only if one unites efforts in active cooperation between government agencies, domestic companies, international oil giants and financial institutions.

Robert Tomas, the KPO B.V. HR Director, speaking to press people on nationalisation process, said that local specialists now occupy 18% of positions in KPO management. And by the end of 2007, the level of nationalisation will reach 40%. Naturally, over the course of time, one will be able to witness considerable changes, both in the culture of our business, and in the ratio of domestic and foreign personnel.

Azhigali Alimakanov, senior manager at Tengizchevroil LLP, Human Resources Department, discussed the KPO Nationalisation Programme during a conversation with journalists, "One is able to learn some useful things by the Karachaganak project, where nationalisation issues are well designed, and we believe that there is something we can adopt from them".

The thematic exhibition *Education in the Oil and Gas Sphere* was also organised as a part of the conference, where major Kazakhstani and foreign educational institutions present stands offering various educational programmes for personnel.

KAZAKHSTANI EMPLOYEES AWARDED IMP DIPLOMAS



Two years have passed since KPO B.V. employees began International Management Programme (IMP) courses in Great Britain. Now at last, following two years of study, the time needed to complete the programme, this long-awaited and joyful event has arrived for each participant in the IMP.

On April 14, in Ashridge, located in 30 miles from London, a ceremony for the awarding of diplomas for the completion of the training took place. In addition to KPO employees, representatives from various countries where BG is a shareholder or holds some equity took part. BG Chief Executive, Frank Chapman personally congratulated and presented diplomas to each graduate, which was accompanied by applause on the part of the guests at the event. Following the completion of the ceremony, all the graduates had an opportunity to communicate with their former tutors, to take pictures, and to have a good time in the picturesque Ashridge environment.

The IMP programmes

were created by BG, and according to the organisers, the objective was the improvement of the managerial qualities of employees, who are either management professionals or have potential to become managers in the future. The IMP course covers a great number of disciplines, the knowledge of which is necessary for the effective management of an enterprise. The training is carried out on-site in a modular format by highly qualified trainers from the Chartered Management Institute, a world recognised British organisation that is accredited to issue management certifications.

KPO management has emphasised more than once that the IMP is the beginning of a new stage of the KPO Personnel Nationalisation Programme. The IMP is in agreement with the Personnel Nationalisation programme as approved in its entirety by the RK government, and also is in compliance with the requirements established by the Final Production Sharing Agreement (FPSA).

It is expected that after the completion of their education, the trained Kazakhstani KPO personnel will be able to

efficiently manage the complicated operational process at Karachaganak, which will allow them to raise the intellectual potential of Kazakhstan as a whole. Thanks to the knowledge that is obtained, the KPO specialists will be able to construct effective business solutions, and will also be given an opportunity to apply their knowledge during operations, which will definitely contribute to the further development of their career. During the course of the training, each IMP participant has two tutors assigned to him or her, picked from the management at KPO, who provide consultations on questions regarding the execution of tasks.

In conclusion, I would like to point out that a group of Kazakhstani journalists from leading national mass media, who visited this event upon invitation of KPO and BG, was present during the diploma awards ceremony. The Kazakhstani journalists were provided with a unique opportunity to see KPO's adherence to the implementation of the Personnel Nationalisation Programme first hand.

NEW KPO COMPACT TETRA TRUNK RADIO SYSTEM

Interview with David Campbell, KPO IT & Telecom Manager

David, we are aware that KPO IT & Telecom Department is about to introduce the Compact TETRA system in Karachaganak. Could you, please, tell us what is the background to the trunk radio project and what was the necessity to replace the old system for the new one here in Karachaganak?

-This year we started to change the current analogue MPT 1327 Trunk Radio system to a new digital Compact TETRA system. Such a large operation as KPO obviously requires first-class communication systems and in addition to the huge IT network, 4,000+ telephones in the various offices and 450 mobile phones, a radio system is essential for people working in the plants, in the field and travelling around the area. The new system brings a lot of important features and benefits especially for safety, security, resilience and productivity. One of the main reasons to replace the old system for the new one is because KPO moved into full production and we now need a system that will keep pace with the higher demands for communications generally and emergency response

specifically.

What is the project total cost and what is the area coverage the new system provides?

-The total cost of the project is 3.5 million dollars and KPO will end up with a total of 8 sites to achieve full coverage of Karachaganak, Aksai and the road to Uralsk. KPO IT & Telecom Department will provide trunk radio coverage over an area of 1,500 square kilometres when complete.

As well as the radio base-stations and equipment shelters, communication towers have been constructed, the largest being 60 metres in height.

How about the old system and is it planned to be used in future?

-The old system served us well for more than 4 years during the construction phase. This system will be transferred onto the 640km export pipeline where there are less users and less traffic volume.

Who are the partners in the KPO Compact TETRA project?

-We worked with Motorola Kazakhstan and with their in-country partner OTC-Raycom when we installed the old system and the project was a

great success. OTC put in the old system so they had a good track record. At the peak of KPO's construction, more than 900 MPT radios were in use. Naturally we turned to the same partners for the new system and because OTC had moved with the times and certified their engineers on the new digital technology, they were ready to take on this very significant project. OTC's knowledge of our locations and way of working also gave them a strong advantage.

The project manager from OTC is Andrey Bakhvalov and during the course of the project he ensured that the quality of work was first-class. The project was also monitored carefully by OTC's Chairman, Andrey Pyankov.

Yesim Soyak (Motorola Compact TETRA European Product Manager) is based in Basingstoke and in the early stages she organised a real-life demonstration of the equipment so that we could fully understand its capabilities. Heinz Welcher (Motorola Sales Director for our region) flew to Aksai to make a presentation on the project and to answer questions, the main topics being the benefits which KPO should

gain from the system.

Senior managers from KPO Field Operations came together to participate in the logical design of the system and configuration of talk-groups. The Field Management team was the first to realise during emergency drills that the old system could no longer cope with Emergency Response situations and that a more intelligent and focussed system with greater capacity was required.

What does Motorola think of the KPO project?

-Motorola Europe felt the KPO project was very significant and wrote a case-study which describes KPO's need and the way that Motorola's solution met the requirements. Brochures have now been published.

What are the main features of Compact TETRA compared with the old system?

-The Compact TETRA system from Motorola is very advanced and is already well proven worldwide. It was important to understand the features which would be of benefit to KPO and to ensure that we got the most out of the system. For example, the dynamic emergency talk-

groups will be very important for Emergency Response in case of accidents or disasters.

The Compact TETRA system is used all over the world by commercial operations and by police and emergency services. The new digital technology of TETRA has many more features and benefits demonstrated by the fact that this kind of system is used by police forces and emergency services throughout the world. Also I would like to point out that KPO's TETRA system is the first of its kind to be installed in Central Asia.

David, let us congratulate you and your department with the awarded second place in the "Alliance with External Parties" category in the 2004 BG Chief Executive's Innovation Awards. What lessons are to be learnt from such an "Alliance with External Parties"?

-Thank you. Our team and myself are very proud of it. As for your question, for a successful project it is equally important to identify and develop the team to deliver it as it is to choose the right technology and the most efficient and cost-effective solution. Quality is of course vital in such a project. Having the confidence to work with partners in-country and seeing their success is very rewarding indeed!

HIGH ASSESSMENT BY STATE COMMISSION

A working delegation of the State Commission led by Alexey Pirogov, the Director of the Department of Gas Industry within the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan visited the Karachaganak deposit from February 14 to 19.

During their stay, the commission members familiarised themselves with the new operational facilities and conducted a joint working meeting with representatives of the KPO B.V., which resulted in the registration by the State Acceptance Commission for Major Facilities in the Construction Phase - Phase II, such as the Early Oil Satellite Station and Unit-2.

During the meeting, the Chairman of the State Commission, Alexey Pirogov provided a high assessment of the constructed facilities. KPO B.V. General Director, Paolo Campelli also took part in the work of the commission.

KPO'S NEW SAFETY INITIATIVE

On Tuesday 29 March, Alex Cotgrave, Finance Manager and Robert Kimber, Business Governance Contoller conducted a HSE inspection tour of Sauda Building. The inspection was a part of a KPO HSE leadership initiative and it is aim was to raise awareness of office safety issues. Business Governance, Finance and IT Directorates have developed, in collaboration with Corporate Safety Department, a HSE improvement plan based on the 14 Point Assessment Tool process. The plan was implemented with assistance from Infrastructure and Services HSE specialists Alexander Rogozynsky and Galeb Aitenev and Sauda Building Safety Champions Tansholpan Bimurzayeva and Gulnara Akhmetkaliyeva.

Robert Kimber, speaking about the results of the tour said: «I believe that the exercise has added value and will help to raise awareness by showing leadership and ownership of office based safety issues. It is encouraging to see actions being already taken as a result of the tour within 2 hours of the tour finishing».

Alex Cotgrave also added: «In the past, we in Finance have taken every opportunity to communicate the importance of safety in an office workplace, this new joint initiative is an important step on the road to continued safety improvement and I am please to have had the opportunity to contribute».

It is expected that the HSE tours will be done every 3 months in Sauda Building.

THIRD INTERNATIONAL VIOLINISTS COMPETITION

The third international violinists competition opened in Uralsk on March 17. Over 8 days, 18 young talented Kazakhstani and foreigners in the ages of 18 to 30 demonstrated their talent and performance skills. The contest was made possible through a joint initiative on the part of the outstanding Kazakhstani violinist, Marat Bisengaliyev, the WKO akimat and KPO, which was the general sponsor of the event.

The main goal of the competition is the provision of support to young talented musicians to discover their potential abilities and enter the international stage. Performers from Kazakhstan, Russia, Ukraine, Azerbaijan, Armenia, Germany, Great Britain, Romania, Austria, Japan, Holland and other countries from the CIS and beyond participated in the event.

Summarizing the results of the grand musical event, the genius violinist, Marat Bisengaliyev characterized it as a success.

The project was a result of the joint effort of Mr. Bisengaliyev and the WKO Akimat. We should especially mention the general sponsor, which was KPO. The company management supported the idea of conducting the contest during its first stages, when the idea was conceived during a presentation of the concert hall of the Garifolla Kurmangaliyev Oblast Philharmonic.

The philharmonic was also renovated with the sponsorship support of the Karachaganak investors.

Marat Bisengaliyev began the press conference with words of gratitude to the organizers and sponsors as the contest and Karachaganak logos hung next to one another on the stage. According to Bisengaliyev, the attention on the part of investors to the development of musical culture in the western region of Kazakhstan positively influences the company's image.

The high level of the contest was evidenced by the celebrity makeup of the jury. The chairman needs no introduction in Uralsk, as Marat Bisengaliyev considers Uralsk to be his second home. His records have received many prestigious musical awards. According to critics, his unique performance style has brought him success. The General Director of the New Port Festival, Mark Malkovich is also famous as a specialist in chamber music. Chris Cracker is a well-known sound director. Peter Adamson became famous playing in a quartet in Great Britain and Europe. John Anderson combines being a director with teaching in Great Britain. The famous Kazakhstani musician, a professor of the Almaty Conservatory, the Special Ambassador of the MFA, Dyusen Kaseinov and chamber music performer and a Doctor of musical sciences from Japan, Nobu Vakabashi

were also members of jury for the first time.

Bisengaliyev believes that these well-known musicians were able to guarantee a maximum objective evaluation of the performances. As the contest is becoming more widely known, there are more and more candidates for participation. Selection of candidates took place beforehand in England. The selection process was very competitive.

During the finals, the violinists who had made it performed once more with accompaniment by the orchestra. During the first competition, musicians from Samara were invited for this purpose. But last year, there was no need for this, since by that time, the West Kazakhstan Philharmonic Orchestra was able to provide a high level of accompaniment. This is another important direction of Bisengaliyev's work. This internationally renowned musician has always dreamt of creating his own Kazakhstani orchestra.

Today, this dream has come true, and Bisengaliyev has gathered musicians from all over Kazakhstan. World recognition was achieved through the support of continuous sponsors. KPO provided funds for musical instruments from the XIX and early XX centuries made by famous craftsmen from France, Great Britain, Germany and the Czech Republic. Upon special order by the consortium

of Karachaganak companies, bows for violins, contrabass, cellos and violas were purchased.

In his address, the KPO General Director Paolo Campelli pointed out that the development of young talent is very complicated and multifaceted process, and that the participation in such contests is one of the components of this. This is why KPO is glad to provide support to the prestigious musical forum for the third year in a row.

The contest also coincided with the Nauryz national holiday. Members of the jury and contestants who were at the celebration promised to spread the news about the celebration in their home countries.

The process to select the winners was a very tough one. For the first time, all seven violinists who made it to the finals became winners. The awards received were for best performance and most artistic performance. Tamaki Muratsu took third place, but there was no second place awarded. The grand prize was awarded to two contestants, Eugene Tichindeleanu from Romania and Meruert Tuyakbayeva from Kazakhstan.

Eugene has subsequently won the right to record a concert at the New Port festival, and Meruert will record a disc at the Quarts Studio in Great Britain.

NAURYZ - A SPRING HOLIDAY

The Nauryz holiday is one of the most ancient holidays on face of the Earth. This holiday has been celebrated by many nations in Central Asia, and according to some information, by the eastern Slavs for over 5,000 years as a spring holiday and the rejuvenation of nature. Nauryz has been celebrated in Kazakhstan starting before 1926, but Stalin then banned it as a religious holiday, even though it predates Islam.

Nauryz is a holiday celebrating the rebirth of nature, and accordingly, it also represents a renewal and cleansing of the body, the clothing and the home, of dirt, evil, hatred and sins. On that day, people would also clean their

ponds, springs and water wells. During Nauryz, wars between enemies traditionally stopped, people reconciled with one another, and forgot about hatred, envy and evil. The ancient Turks, the ancestors of the Kazakhs, would put on new clothes, white shirts and dresses during the beginning of this holiday, and compulsorily trim their mustaches and beards and shave their heads. On the eve of the holiday, people would put their homes in perfect order and pay off debts. Those who were involved in a quarrel would reconcile with each other, since, as the old men would say, when Nauryz enters their homes, all diseases and misfortunes must be avoided. During the night before the holiday,

all tanks would have to be filled with milk, sour milk, grain and spring water as a sign of hoping for an abundance of milk, harvest and rain. On the day of Nauryz, everyone attempted to be in good humour, and embraced one another when they met, and would give their best wishes, so that all misfortune and troubles would pass them by.

Residents of the town of Aksai celebrate the holiday in a grand fashion and in a big way. The main holiday events were celebrated at the Gasmen Municipal Park. Citizens of other countries, representing KPO as well as other contractor companies operating at the Karachaganak deposit, did not refrain from participation in the celebration.

According to the established tradition, many companies conducting the project, including KPO set up yurts, where every resident was able to enter and sample holiday dishes. War and labour veterans were the honored guests at the KPO yurt on this day. Corporate Affairs and Labour Protection and HSE Manager, Nurzhan Kamalov greeted them on behalf of KPO, and congratulated all of the veterans heartily on this bright spring holiday, wishing them all of the best.

In addition, as was the case last year, the weather in Aksai on that day was somewhat foul. A strong wind was blowing, and it then began snowing unexpectedly. However, the Kazakh people hold a popular belief that if it snows on Nauryz, it is considered a good sign.