

KPO IS GIVEN PRESTIGIOUS BG GROUP AWARD

The KPO has received some pleasant news from England. "Karachaganak Petroleum Operating B.V". has been awarded with a prestigious award by the Chairman of the BG Group 2005, having occupied a honorable place in Pioneering Work in the Observation of Safety Measures. This award was given as a sign of the acknowledgement of KPO's successes in the area of safety, and in particular, for its innovative achievements on the successful introduction of a new labour protection and safety programme at the Karachaganak deposit, which is known as the Behavioral Based Safety programme (BBS). A festive awards ceremony took place during the evening of May 17 in England at the Highclere Castle, which is located in a picturesque area outside Newbury. A group of KPO employees, including Nurzhan Kamalov, the Corporate Affairs and Safety Controller, and the Safety Measures Supervisors Managers, Ilgiz Gabitov and Erkebulan Beisimbaev took part in the awards ceremony along with representatives from other companies. The Chair of the BG Group Board of Directors, Sir Robert Wilson personally awarded the prize to Nurzhan Kamalov, who headed the KPO group of employees.

This is the seventh contest, which was established in 1999. The awards of the BG Group Board Chair are given to projects and enterprises, in which the company is a shareholder or has an equity



stake. This year, 85 applications from companies that hold shares together with the BG group, and operate oil and gas deposits around the world, have been submitted for the contest. The selection of participants for the contest was held in 7 nominations including Safety Performance; Safety Innovation; Contract Partner Performance; Contribution to Health; Contribution to Social Development; People Performance and Environmental Initiatives. One should note that the main criteria for the selection of the winning participants were their operational successes within the above-listed nominations.

Nurzhan Kamalov, commenting on KPO's participation in this prestigious annual contest, said that the receipt of this award is not due to the merit of one person, but is an official acknowledgment of the success of the entire company and its employees, and strongly proves their adherence to the KPO policy of a meticulous observation of safety rules and environmental protection.

The Behavioral Based Safety programme unites all existing methods of control, reporting and analysis of safety measures, and has completely proved its effectiveness within the Karachaganak project. Specialists from the Department of Safety Measures and Environmental Protection, Well Operations, Business Management and Unit-3 have implemented the programme.

COLLECTIVE AGREEMENT SIGNED AT KPO



The KPO management, the KPO independent trade union organisation and the Karachaganak Branch of the Gas Industry and Transport, and the Construction Workers Trade union met recently in the KPO headquarters building. The result of the meeting was a signing ceremony for new collective agreements, in which KPO General Director, Paolo Campelli, the Chair of the KPO Independent Trade Union Organisation, Tuleugali Kenesov, the Chair of Karachaganak Branch of the Gas Industry, Transport, and Construction Workers Trade Union, Nikolay Kotelnikov and other participated.

We met with Tuleugali Kenesov, who discussed the agreements and answered our questions.

- Tuleugali Kushpanovich, what is the collective agreement and what is its main purpose?

"First of all I would like to note that it is a very important document regulating labour relations between employees and administration. It pertains to all labour and social issues, in addition to social benefits for company workers and their families. The fact that we signed this treaty evidences that KPO management and founding companies support us fully. The main purpose of the agreement is to improve the standard of living and welfare for all KPO employees. The development of the collective agreement system is important today, since it is the main form of social partnership.

"The collective agreement is first of all, a legal document regulating labour, social economic, professional relations of employees and employer. We are certain that the collective agreement will play a positive role for the benefit of the Karachaganak development and it will promote labour productivity, proper operations, and our relations with the administration will continue within a constructive dialogue."

- Thus, trade unions are authorised representatives of the interests of all personnel?

"That is absolutely right. Company workers do not act as separate persons, but as independent entity of staff. The employees themselves do not participate in the conclusion of collective agreements, but are represented by trade unions."

- How much time did it take to sign the collective agreement, what is its term of effectiveness and what preceded its conclusion?

"You must have noticed that during our meeting, the KPO General Director, Paolo Campelli said the following, "We were able to sign this agreement within a short period of time. We quickly reached an agreement, which demonstrates that we have good relations with the trade unions." From myself, I would like to add that during the preparation stage, we did not have any disagreements with the KPO administration. Moreover, we always sensed their support. They were always trying to help in the solution of issues and took an active part in the preparation of the agreement. Campelli also expressed confidence that such relations will continue further. He also assured us that he would himself provide support to the trade unions. We were very glad to hear these words of gratitude from Mr. Campelli, who thanked us for our cooperation and professionalism. The signed agreements will be in force for two years."

"Concerning the question of what preceded the conclusion of the agreement, I would like to note that before it was signed, the agreement had to be created. The initial stage of this procedure was collective negotiations between the parties involved, which were necessary for smoothing over any opposing interests. They put together a commission on a parity basis for this purpose and defined the terms, place and agenda for negotiations."

"I would like also to thank KPO HR Manager, Marco Castelli, his colleague, Mauro Accornero, HR Manager Lyubov Belaya, and Personnel Coordinators, Anatoliy Neverov and Elena Gorbacheva, who took an active part in the negotiations and preparation of the agreement."

KAZAKHSTANI PRESIDENT WORKING VISIT TO WKO

On May 10, the President of Kazakhstan, Nursultan Nazarbaev was on a two-day working visit to the West-Kazakhstan Oblast, having arriving directly from Moscow where, among other leaders of 56 different countries around the world, he participated in the celebrations for the 60th anniversary of Victory Day.

The agenda for the President's visit to Uralsk began early in the morning, and was very intensive. The head of the state visited various industrial facilities, and also met with war veterans, agricultural workers, schoolchildren and students. The meeting between President Nazarbaev and the management of the companies, BG Group, Eni, ChevronTexaco and LUKOIL, which are partners in the international consortium, Karachaganak Petroleum Operating (KPO), operating the Karachaganak deposit, was an important part of the programme of the visit to the West-Kazakhstan Oblast (WKO). The meeting was held at the M. Utemisov West-Kazakhstan State University. The Chief of the Presidential Administration, Adilbek Jaksybekov, the President of the NC KazMunayGas JSC, Uzakbay Karabalin, the WKO Akim, Nurgali Ashimov, the Senior Vice-President of the Eni Corporation in Kazakhstan, Pietro Cavanna, the Vice-President and Managing Director for Asia and Middle East, David Roberts, the ChevronTexaco CEO for the Karachaganak Project Les Wood, the LUKOIL Overseas

Holding Ltd. Regional Director for Kazakhstan, Boris Zilbermintz, in addition to the KPO Director General, Paolo Campelli were present at the meeting with the President.

During the meeting, Paolo Campelli discussed the progress of the implementation of the Karachaganak project with Nursultan Nazarbaev and informed him on the launching of the 4th Gas Turbine Generator (GTG4) at the Karachaganak Processing Complex (KPC). Mr. Campelli noted that KPO has fulfilled its obligations to the authorised bodies on the supply of electrical energy in April 2005. Following the commissioning of the 4th Gas Turbine Generator, the stability of the electrical energy supply, which is produced with ecologically clean fuel to the local and regional electricity network will improve, which will allow them meet the demands of the West-Kazakhstan region.

In his speech, Mr. Campelli also familiarised the President on the plans for the construction of a pipeline for the treated gas from the Karachaganak deposit to Uralsk. He specifically noted that this social project would allow for the utilisation of cheap treated gas from the Karachaganak deposit that, in addition to its ecological advantages, will enable them to reduce the cost of electrical and heating energy. Residents of Uralsk city and the entire Oblast will win as a result of this. It is expected that cheap gas from Karachaganak will become accessible for over 50,000 Priuralie residents, and the "blue fuel" will go to the homes of about 8,000 families.

The implementation of this project will lead to a 15-20% price reduction for gas, since it is now being supplied to the Oblast from neighboring Russia. This will also allow for the implementation of gasification in inhabited settlements that are located between Uralsk and Aksai. It is intended to utilise local contractors for the construction of the gas pipeline, which will provide jobs for the local population.

Thus, the passing of the Memorandum of Intention in relation to the gas pipeline construction for the supply of cheap gas to the WKO was the main result of the meeting. As for the relations that developed between the foreign investors and Akim Nurgali Ashimov and the oblast administration, one could say that these are quite constructive and mutually beneficial. Thanks to the activity on the part of KPO and its social projects, Uralsk and the entire region have changed drastically. Currently, the Oblast is the fifth nationally in terms of the Gross Regional Product per capita. Positive changes in the economy have also affected the social sector.

Having found time in his tight schedule for the visit to the WKO, Nursultan Nazarbaev also met with the local media, who were mainly interested in the results of the meeting with the management of partner companies of the international consortium. The President expressed his satisfaction over the work of the consortium, having pointed to the successful progress of work on the

implementation of the Karachaganak project. Commenting on the results of the meeting as a whole, the President said that he believes this contract to be very successful for Kazakhstan. Since 1999 alone, the investors have invested USD 6 B into this deposit. And in spite of the fact that it was the process of development, and the company has just started to produce, the Kazakhstani budget has already earned USD 250 MM in taxes. "I believe that the project is developing in a normal way, and the investors are implementing everything necessary," President Nazarbaev added.

As a whole, the President assessed the current situation in the region highly, and noted that western Kazakhstan is a leader in the country on certain economic indicators. Of course, there are problems in the region as well. One of the most acute is associated with the poor condition of roads in the rural areas, and this not only creates inconveniences for residents, but also impedes the economic development of villages, including areas with great Completing his trip around the region, Nursultan Nazarbaev visited the Oblast Philharmonic, and met with the intelligentsia, regional akims and visited a concert of the WKO Philharmonics Orchestra under the lead of RK honored artist, a soloist of the London Symphony Orchestra Marat Bisengaliev. This wrapped up the two-day working visit of President Nazarbaev to the West Kazakhstan Oblast.

KPO WELL OPERATIONS AND CONTRACTORS ACHIEVE OUTSTANDING SAFETY RECORD

KPO Well Operations staff and contractors have reached an excellent result - two years without a lost time incident (LTI).

On 18 May speaking at a ceremony to commemorate the achievement KPO General Director Paolo Campelli said: "This is a significant milestone for safety work in well operations. This record can only be better appreciated when thought of as 4.5 million man-hours worked and 10 million kilometres driven without an LTI carried out by the successful work performed by over 900



people representing KPO Well Operations, Reservoir Engineering, & Infrastructure departments, SaiPar Rig, Baker Hughes Integrated Operations and KazBurGas."

KPO Well Operations Manager Bruno Maggioni added: "In spite of intensive operational plans, frequent moves involving rig up and rig down operations, adverse geological and weather conditions, the focused efforts of these people proved it is possible to work safely."

KPO's mandate of «Safety First» was followed by Well Operations by prevention of inci-

dents through such processes as timely check of equipment and serviceable conditions, safety conditions at work locations, conduction of safety meetings, and regular inspections.

"Other significant contributors to this success are the STOP and BBS observation programs used by KPO and its contractors" staff to reveal safety violations during work performance at the rigs & well sites", said Bruno Maggioni.

KPO actively promotes a culture where ownership of safety is shared across the organisation through compliance with HSE standards, managing workplace

risks and careful planning and monitoring of all activities.

Operational excellence with focus on safety expands beyond KPO employees. Contractors, service suppliers and everyone involved with the operations in Karachaganak are held to the same standards of safety and environmental performance.

Last year, KPO's lost time incident frequency rate was 0.47 (per 1 million hours worked) compared with 0.79 LTI in 2003. In addition, in 2004 KPO achieved a zero road traffic incident rate. The ultimate KPO's goal is to create a workplace where employees and contractors are injury free.

SMALL BEGINNING OF A BIG WAY

On May 20, a festive ceremony for awarding certificates to the students of the Zhas Dauren Children's House who completed training on the basics of computer literacy took place at the Uralsk Business Incubator. The purpose of the project was to train the children in computer skills, and this will definitely help them to apply their knowledge in the future, while studying at a university or choosing a profession.

The idea behind the project came from BG Kazakhstan, which financed and created the initiative, and which implemented it together with the Uralsk Non-Government Organisation, the International Business Centre. 37 pupils were selected for the computer skills training project. The programme began in September of last year. The nine-month course took place at the Eurasia Institute in Uralsk, and was conducted by US Peace Corps volunteer-consultants and experienced teachers from the Eurasian Institute. During the training, the children completed a computer literacy course, where they learned such programmes as



Excel, Word, PhotoShop, web programming, graphics and animation.

In addition to the International Business Centre, representatives from BG Kazakhstan, who arrived in Uralsk from Astana, the US Peace Corps volunteers and the teachers from the Eurasian Institute, participated in the certificates awards ceremony.

During the award ceremony, David Wohlschlegel, the Karachaganak BG Kazakhstan Project Manager, said, "We are very glad to have the opportunity

to sponsor this project, which confirms our adherence toward a responsible and long-term approach to our social obligations in those countries in which we operate. We hope that this course will assist the graduates to find jobs in the future, and will become useful to those who will decide to proceed with their education at higher educational institutions throughout the country".

Yuriy Khramov, the manager of the International Business Centre, thanked all the pupils and said that all of them treated the

project with responsibility and great enthusiasm. He also expressed his assurance that the knowledge that is obtained by the graduates would be very useful during their employment and would pay for itself.

Roza Gizatova, the BG Kazakhstan External Relations Manager, said that it was with great pride that the company sponsored the project. "It is quite possible that in the future some of you will become a KPO employee, a company producing gas and condensate at the Karachaganak deposit. Today, you have received certificates for the completion of training. Let this be a small beginning of your big path," Roza added.

In addition, the project organisers prepared an unexpected and pleasant gift for the two best graduates, who performed very well during the programme. Addressing all the participants of the project, David Wohlschlegel announced that BG Kazakhstan is providing a grant for a free education and a scholarship at the Eurasia Institute to the best and most capable student, who will be announced at a later time.

KPO COMMISSIONS NEW FACILITIES

On March 30, 2005, the state commission on the acceptance of Environmental Monitoring and Emergency Alarm Stations was held in Karachaganak. An 18-person commission, including representatives from state regulatory bodies and KPO employees, chaired by Mike Smith, Field Loss Prevention Manager, considered all of the necessary technical documentation. In addition, an excursion to these facilities was organised, including a trip to the Berezhovka village.

As a result of this productive work, a unanimous decision on the full preparedness of the facilities for commissioning was reached successfully. On the same day, the commission members signed the state acceptance act.

It should be noted that the Environmental Monitoring and Emergency Alarm Stations were constructed with the purpose of an improvement in the protection of the health of field workers and

nearby residents. Currently, 4 stations for environmental monitoring located in 4 spots near the field and Emergency Alarm Stations at 11 locations near the field are in operation.

Mike Smith noted that today, KPO is the first company not only in Kazakhstan, but also in the CIS to introduce the latest technology for environmental protection and emergency management. "All environmental monitoring stations are equipped with the most modern equipment, and KPO has all the grounds to be proud of this achievement."

The stations for environmental monitoring are a fully automated system, consisting of super sensitive gas analyzers, which provide information all day long to the central computer on the quality of the atmosphere in reference to pollutants, including hydrogen sulphide, sulphur dioxide, nitrogen oxide and carbon monoxide. All of the data collected goes to the central computer, which is located at the

Karachaganak Processing Complex Administrative Office. Qualified, well-prepared local personnel monitor this computer. In addition to the above-mentioned capacities, the stations have a meteorological complex allowing them to analyse the air and climatic conditions during any period of time, day or night.

The peculiarity of the operation of this automated system is that the stations are integrated with emergency alarms that are located in 11 villages near Karachaganak. The emergency alarm system will immediately inform the public regarding a possible emergency at the field. Any large production bears some risks of emergencies. However, a well-organised operation directed toward a regular risk appraisal during operations, and regular training conducted by the Emergency Prevention Department assists in minimizing such risks. Emergency alarm systems are designed to

immediately inform village residents.

Over the last year, several presentations were conducted with trips to the villages with the purpose of informing on and demonstration of the automatic stations' capacities. Each resident was able to ask questions and receive answers. KPO will not stop at what has been achieved, and plans to install additional stations for environmental monitoring in 2005, with the purpose of covering more villages. Undoubtedly, this is not easy, and everyone who participated in the implementation of the project deserves gratitude, since this system operates successfully due to the teamwork of all KPO departments, including the Environmental Protection Department, the Engineering Dept, the Telecommunications and IT Dept, the Licensing Dept to the Production Dept. Special respect goes out to the Environmental Control Group at the field, which is responsible for the successful operation of these facilities.

KPO ATHELETES AT DRUZHBA COMPETITION

From May 21 to 22, 2005, the first Druzhba competition was held between the employees of KPO and Kondensat in Uralsk. As was reported in previous issues of the newspaper, the decision to conduct the competition was made according to a preliminary agreement between the KPO General Director, Paolo Campelli, and the Kondensat Chair of the Board of Directors, Valeriy Junusov, also following an agreement with the Chair of the KPO Trade Union, Tuleugali Kenesov. The goal of the competition was the development of social and sports connections between the two companies, and promoting a healthy lifestyle to the employees. The competition included 7 types of sports for both women and men.

The competition was held at the Kondensat Sports Complex. WKO Akim Nurgali Ashimov, Paolo Campelli, and Valeriy Junusov greeted the participants. These guests made welcoming speeches and wished the athletes to perform well.

The first competition was between the KPO and Kondensat

volleyball teams. The game was intense. The first set ended 31.29 in Kondensat's favour. The KPO volleyball team won the second set. The final set was the deciding one and the more experienced Kondensat players emerged victorious. Despite their defeat, KPO played a good game, and the most valuable players were Disenbay Gumarov (captain), Evgeniy Gergert, Alexandr Chesnokov and Yuriy Afansyev.

The girls then began their game, and once again, Kondensat was the more successful team. This is not surprising! At Kondensat, volleyball is more-or-less sport number one. Nevertheless, the KPO women's team did not do badly. Unfortunately however, they lacked a certain amount of experience and skills. The organisation committee noticed the positive performance on the part of Captain Galiya Sagitova, and she was awarded the WKO Akim Cup. KPO HR dept employee, Anzhela Moiseeva also performed well. During the competition, the KPO badminton players also did very well. Denis Kim was recognised as the best

player for the competition, who crushed the Kondensat leader. KPO PR Manager, Isak Sekeev also played very strongly and easily won over his competitor. The KPO badminton team did not expect that Ruslan Ildiyatov and Irina Korneva would be defeated, and the team was hoping for their victory. But sports are sports, and the strongest wins. However, sometimes luck also plays a part. Galiya Sagitova won after a grueling competition. The total score was 4.3 in favour of Kondensat. One has to take into account that unfortunately, the KPO Ecology Manager, Steve Pearson could not participate; and he is one of the most experienced players on the KPO team. Many hopes were placed with the KPO basketball team. But bad luck struck again! Just when the team was leading 19.10, the KPO team became relaxed, and their rivals used the situation to their advantage and reduced the difference in the score and snatched a victory during the final minutes of the game.

On the next day, the table tennis, chess and mini-football

competitions took place. The KPO tennis team consisted of Konstantin Melnikov, Maxim Asanov, Askar Andirov, Leonardo Marconi, Dariya Moiseeva, Gulya Umbetaliyeva and Elena Seregina, who won the match and were awarded certificates and expensive presents. I would like to take note of the performances on the part of Konstantin Melnikov and Dariya Moiseeva, who also played very well. KPO's victories continued with the KPO chess team, which includes Timirzhan Kalim, Zholdybay Nurzhanov, Temirbek Aldabergenov, Alexandr Ni, Elena Aksenova, Natalya Valerianova, and Bayan Musiyeva. All of the KPO chess players were also awarded with certificates and expensive presents.

Finally, the football game ended the competition. Once again, Kondensat's more experienced team took home a win. During the closing ceremony, Junusov presented the cup of WKO Akim, Nurgali Ashimov to the KPO badminton and volleyball team as the best participant of the first Druzhba competition.

KPO AND EURASIA FOUNDATION CONTINUE TO SUPPORT RURAL ECONOMIC DEVELOPMENT IN WKO



On May 24 the staff of the agricultural consulting centre under the West Kazakhstan Agrarian-Technical University (WKATU) welcomed agricultural specialists from Saratov (Russia) State Agricultural University (SSAU). Also in attendance at the ceremony were regional and Burlinskii district administration officials, and representatives from Karachaganak Petroleum Operating B.V. (KPO) and the Eurasia Foundation (EF).

The experts from Saratov arrived in Uralsk to train WKATU staff and assist with the implementation of a fledgling agroconsulting project to promote rural economic development in agricultural districts of Western Kazakhstan. The project, funded by KPO and EF, will provide business consulting for farmers of West Kazakhstan oblast (WKO).

A group of consultants from the faculty of WKATU have already participated in a study tour at SSAU and developed a program of on-site training and consultations in three rural districts of WKO. Consultants from Saratov have given agricultural seminars on topics such as the feeding of livestock, the protection of crops, and the introduction of new types of cereal and feed crops. In addition to providing consultations to farmers, the program will train WKATU instructors and teach students the basics of agrobusiness, and prepare them to give consultations themselves.

Kairat Kapashov, KPO Vendor Development and Qualification Department Manager, commented: "KPO is pleased to be a part of these initiatives that will help the farmers of Western Kazakhstan to access the newest technology in the agricultural industry and help to build up their capacity for sustainable development. We see it as a part of our strategic commitment to the social and economic growth of the communities across the Western Kazakhstan Oblast and, in particular, in the rural areas near the Karachaganak field."

This grant is a part of KPO and EF's joint West Kazakhstan Microfinance Initiative, launched in 2003 to provide loan capital and technical assistance to farmers and entrepreneurs in the West Kazakhstan oblast. In 2004 KPO and EF launched stage two of this initiative, funding a second set of grants to the microfinance institutions focusing on rural districts, including the rural Burlinskii district. The latest project to provide agroconsulting to farmers is designed to complement micro loans and amplify their impact on economic growth. The grant was reviewed by an independent advisory board prior to the award.

KPO PROVIDES SPONSORSHIP TO SCHOOL

"A country that cannot develop its knowledge base, is doomed to failure in the 21st century. We must create a personnel reserve for the high-tech and science-based industries of the future. We will not be able to create an innovative economy without a modern education system and modern managers, who think broadly, big, and in a new fashion," Kazakhstani President Nursultan Nazarbaev said during his annual Address to the People of Kazakhstan, dated February 18, 2005. The Presidential Address also said that everything begins at school.

Secondary school No. 4, located in Aksai, is one of the leading schools in the Burlin region. Real professionals work here, who have had many years of experience in bringing-up children, and who understand all of the responsibility that is laid upon them. However, very often, the logistics base at a school does not correspond to the level of development of our society, which is why very often, teachers are required to use hand-made visual aids. This especially concerns the language laboratory for the English language classroom, which has not been equipped with the necessary technical devices, and due to this, the teachers have faced some great difficulties. As the school administration has no funds to purchase the equipment, and the children have a strong desire to obtain knowledge of the English language, and to learn how to use the Internet, the teachers' staff petitioned KPO management with a request. Their request was satisfied in a short period of time. During the meeting between the KPO Sponsorship Committee, under the chair of General Director Paolo Campelli, it was decided to render sponsorship assistance to the school and acquire the necessary equipment. Currently, the English language laboratory has been equipped with the necessary video and office equipment, and the children have all the opportunity to obtain deeper knowledge.

In acknowledgement of their gratitude, the teachers at the school sent a letter to KPO General Director, Paolo Campelli, and thanked him on behalf of the staff for their sensitive attitude to their request and for the joy that they have given to the children.