

KPO NEW LEADERSHIP

ROGER FOX, GENERAL DIRECTOR OF "KARACHAGANAK PETROLEUM OPERATING B.V."



As head of the Karachaganak Petroleum Operating (KPO), Roger has responsibility for the day to day management and operation of the Karachaganak field business. Roger is also responsible for implementation of the consortium's broader development objectives, which involve the continued expansion of the Karachaganak field.

Until assuming his current position, Roger Fox was Chief Executive Officer of Egyptian LNG (ELNG), a position he held for two years. In this period, the ELNG consortium built and commissioned two LNG trains at its Idku site in Egypt. This project represented a world class example of project delivery with both the upstream and midstream elements were synchronised such that the project was delivered well ahead of schedule and within budget.

Prior to joining ELNG, Roger was Head of Project and Engineering Management for BG Group and was part of the Mediterranean Basin and Africa Regional Management Team, based in the United Kingdom. From 2001 to 2002, Roger was Managing Director of Rashpetco / Burullus, BG's upstream joint venture operating Company in Egypt.

Roger has been with BG for some 25 years and during this time has held a number of management positions delivering other major energy projects across

the United Kingdom, Brazil and the Philippines.

Roger Fox is a chartered professional engineer with a first degree in mechanical engineering and a second degree in project management.

ANTONIO BALDASSARRE, OPERATIONS DIRECTOR OF "KARACHAGANAK PETROLEUM OPERATING B.V."



Antonio Baldassarre holds a master degree in engineering from the Imperial College of London and a BSc in Geochemistry from the University of Siena (Italy). He has more than 15 years experience in the industry, and during his career, he has covered a number of engineering and management posts in several countries around the world, including the UK, West Africa, North Africa and Italy.

The latest two were as the Sinai Fields General Manager in the Petrobel Petroleum Company (Egypt) followed by the Karachaganak Asset Technical Manager within the Eni E&P Division (Italy) before being appointed as the Operations Director at KPO.

SHUTDOWN ACTIVITIES SUCCESSFULLY COMPLETED AT KARACHAGANAK

Shutdown activities are a common practice at oil fields in many countries across the world. "Karachaganak Petroleum Operating B.V." (KPO) being a flagship project for Kazakhstan's economy is doing its best to bring together expertise, state-of-the-art technologies, financial resources and a skilled workforce to realise the huge potential of Karachaganak – one of the world's largest oil and gas condensate fields.

This year KPO has successfully conducted the annual shutdown activities at the Karachaganak facilities which are a necessary part of the operation of the business and represent normal industry practice. The extensive scope at KPO was regarded as the largest in Central Asia this year, with over 250 vessel inspections, extensive engineering modifications, KPC Train 4 tie in and major works activities. The major goal of the annual maintenance is to ensure equipment asset reliability, continued production integrity, and a reduction in the risk of unscheduled outages. Completed in late September

this 30 day 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, EOPS and Pipelines.

Cameron Crawford, KPO Deputy General Director, speaking about the work done noted: "KPO is continually focused on improving its performance by looking for ways to increase efficiency and reduce emissions at its production sites. To a great extent, our success depended on how well this programme was implemented. I am very pleased now to report that the plant's facilities and



equipment have been thoroughly examined and maintained to ensure safe and efficient production. This is a credit to everyone involved in this project, particularly the Shutdown Group for planning and co-ordinating the extensive work scopes. We at KPO believe that this will help us to keep our commitment to excellence in the environmental, health and safety aspects of our operations".

For his turn, Nurzhan

Kamalov, KPO Corporate Affairs & HSE Controller, also said: "Kazakhstan law places specific obligations on operators of industrial facilities to carry out inspections of plant and equipment to confirm their integrity. In order to undertake this work, facilities must be shutdown with the need to safely dispose of hydrocarbons prior to inspection and maintenance".

KPO COMPLETES RECONSTRUCTION OF ROADS IN URALSK

Karachaganak Petroleum Operating B.V. (KPO) has announced the successful completion of a project on the improvement of Aitiev and Narimanov streets in Uralsk, which was implemented as part of KPO's social programme.

Attending a ceremony to commemorate this achievement were representatives of the Uralsk City Akimat, headed by Akim Saginbek Mutashev, as well as representatives of local community and contractor organisations.

The total investment in the development came to \$900 thousand. The local contractor, TechStroy, LLP, performed the reconstruction.

The project included the full repair of the road and other construction works. The total length of the reconstructed



roads and sidewalks was 3,300 metres.

Uralsk City Akim, Saginbek Mutashev thanked KPO and contractors for repairing the new roads in Uralsk, which will make the lives of residents

easier, and will contribute to the city's beauty.

KPO Corporate Affairs & HSE Controller, Nurzhan Kamalov said "The successful completion of the reconstruction of Aitiev and Narimanov streets demonstrates

KPO's commitment to the Final Production Sharing Agreement, under which KPO and its Partners - BG Group, Eni, Chevron and LUKOIL – invest \$10 million towards social infrastructure development in Western Kazakhstan".

To date, the total sum of KPO's social investments has exceeded \$130 million.

The total length of the roads in the region which have already been repaired by KPO have exceeded 30 kilometres.

The implementation of the social projects has been made possible thanks to close and mutually beneficial cooperation between KPO and the Uralsk and WKO Akimats, and with due support from the WKO community.

During the 40-year life of the FPSA, these investments will total some \$400 million.

THE HIGH STANDARDS OF ENI



Upon KPO's initiative, a group of journalists from leading Kazakhstani mass media outlets visited the head office of Italian Corporation Eni. The Kazakhstani guests had the opportunity to obtain information on the main working principles of company's foreign subdivisions.

Eni's geography of operations is wide, and is divided into several zones. The first zone includes Italy, Africa and Near East. The second includes the European Northern Sea, America, Australia and Russia, and the third one is Kazakhstan. The Eni Kazakhstani Programme Director, Paolo Linci explained that special attention is given to Kazakhstan, with the importance to the corporation of the Kashagan and Karachaganak projects, its favourable investment climate and economic prospects.

Eni, jointly with the BG Group, is the co-operator of the KPO consortium. Each of their stake in the project totals 32%. KPO is developing the Karachaganak field - one of the world's largest oil and gas condensate fields. The field reserves are evaluated at over 1.2 billion tonnes of oil and gas condensate, and 1.35 trillion cubic metres of gas.

Field production is growing each year. In 2005, KPO reached record high production levels, when 10.3 million tonnes of unstable liquid hydrocarbons were produced at the field, out of which, 6.5 million tonnes were loaded into the CPC system; along with 11.3 billion cubic metres of gas, out of which, 7 billion cubic metres were delivered to Orenburg for processing. Production is increasing, due to the improvement of working conditions, the application of advanced technology and the enhancement of the reliability of equipment. In 2000, the main project development stage - stage 2 began. During this stage, new facilities for gas and liquid hydrocarbons and gas re-injection were constructed. The 635 km Karachaganak-Bolshoy Chagan-Atyrau export pipeline was built, connecting the field with the CPC system, allowing for the transportation of Karachaganak oil to the Black Sea of Novorossiysk.

In addition, KPO conducted the large-scale modernisation of old production capacities, the overhaul of over 100 wells, and built a 120 MW gas turbine power station.

Moreover, new beautiful administrative buildings and houses were constructed in the city of Astana, thanks to sponsorship support from Eni, and in the Borovoye resort area, an impressive sanatorium was built. At Kashagan, where Eni is a project operator, it is planned to spend 1% of all revenues on social reconstruction. In both cases, this is a considerable amount.

Because the main principles of the company's work in any region of the world are reliability, quality and safety, the first priority in Kazakhstani projects is the health of the people and environmental protection. At Karachaganak and Kashagan, the observance of environmental requirements is monitored throughout the entire production chain. Eni subdivisions operating in Kazakhstan have received ISO-14000 environmental management certificates. In 2007, it is planned to achieve an even higher level of international standards.

The company implements a special programme actively for reducing negative environmental impact. For example, at Karachaganak, they do their best to protect and preserve the bio-system. A constant monitoring of the quality of the air and water, and an evaluation of potential production risks are conducted, following which, plans are then made to reduce the environmental impact.

An integral part of project development is waste utilisation. KPO built a modern complex that allows for conducting the processing and utilisation of all industrial wastes from the field. During the last 3 years, over USD 100 MM has been invested into environmental protection at the field. At Kashagan, with the unique eco-system of the Caspian, all exploration operations are done utilising a zero-waste principle, which means that no waste is dumped into the sea; rather it is removed to the shore and recycled.

PAOLO CAMPELLI SAYS GOODBYE TO KARACHAGANAK



WKO Akim, Nurgali Ashimov has received the General Director of KPO, Paolo Campelli. The meeting was devoted to the completion of Campelli's assignment in Kazakhstan, in particular, at the Karachaganak field. During the meeting, Ashimov thanked Mr. Campelli for his fruitful work in the WKO, and noted the strong contribution made by the head of this large oil company into the development of the Karachaganak field, whose third stage begins in the near future.

During the years of his tenure, the construction of the Karachaganak-Aksai-Uralsk trunk pipeline began; and steps were taken toward the creation of a joint venture at the Orenburg gas refinery. Special attention has been paid to the implementation of regional social projects. KPO allocated funds for the construction of several schools, swimming pools, a surgical building at the oblast hospital, a prenatal centre, the roads were repaired in Uralsk, and other facilities were commissioned.

The Akim thanked the director for his fruitful work and handed him an Honourable Certificate from the RK Ministry of Energy and Mineral Resources.

Paolo Campelli is a chemical engineer, and has over 20 years of experience at Eni/Agip. During his career, he has held various engineering and management positions. Prior to his appointment at KPO as General Director, Paolo worked as the Karachaganak Asset Manager in the Eni subdivision for Development and Production.

KNOWLEDGE MANAGEMENT LEARNING



KPO Training & Development Department has initiated a discussion on sharing experience and knowledge between KPO National Mid-managerial staff.

The workshop was conducted in a non-conventional way as Knowledge Café in a friendly atmosphere of trust.

The main purpose of the Knowledge Café was to introduce and integrate the National mid-managerial staff working in different KPO Departments to each other in order to lay the foundation to a dialogue between them, and thus improve the interaction between KPO Departments.

An issue of Knowledge Management arose due to the difficulties to efficiently manage the issues like information management as a lot of information is squandered in different Departments that it makes it difficult to locate it quickly when needed. Sometimes there is so much information that staff does not have enough time to process and save in order to use it further. There are also some issues related to interaction between different KPO departments which causes some performance inefficiencies.

The following topics were discussed at Knowledge Café: Nationalisation & Succession Plan, Mentoring Programme, Training & Development in KPO, Interaction of KPO Departments.

At the end of the workshop the Knowledge Café Participants provided a positive feedback to Training & Development staff and thanked for the opportunity to meet and share experience

exclusive

Kazakhstan analytical magazine "Exclusive" presents the Third Annual Public Opinion Survey "Rating the Reputation of Oil and Gas Companies"

The purpose of the survey was to find out what changes have occurred in the public perception of the companies during the past year. The target group for respondents was leading employees and the heads of legal, audit, insurance, production companies, banks, pension and investment funds, advertising and PR agencies, representatives from consulting organizations, engineering,

design, transportation, oil and gas equipment, etc. The respondents were asked to name those oil and gas companies, which in their opinion, have the best image, and evaluate them according to the criteria indicated in the table, grading them on a scale of 1 to 5. While evaluating their reputation, the respondents expressed their own opinions, without taking into account financial indicators. Over 1,500 questionnaires were distributed via e-mail, fax, and a telephone survey was also conducted.

As a result, 252 responses were collected. As previously, the companies were not divided into their areas of operations,

because this type of classification is too conditional; many oil and gas companies simultaneously conduct development, production, and transportation functions. Rankings of parent companies and their subsidiaries were taken together. Over 35 companies in the sector were mentioned. The below table shows those scored the highest.

As was the case last year, the most critical evaluation item was that characterizing the attention that the company pays to environmental protection; and none of the companies received a grade of "5" according to this criterion. The companies were also weak in terms of measuring

their transparency. Overall, the same well-known seven companies were determined as having the best reputation. Only one of them was new – LUKOIL, which took third place, according to the survey. First place was shared by Chevron and KPO. We should note that Chevron took a leading position for a second year in a row. KPO also rose from 5th to 1st place in one year. KMG came in second with a minimum gap in points of 4.5. TCO, which in 2005, was third, this time lost out to newcomer LUKOIL. As compared to 2005, Agip and PetroKazakhstan rose by one position, taking 5th and 6th places, respectively. CNPC was 7th with a ranking of 3.8.

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THE SAME FACES

Indicators of the quality of oil products in Kazakhstan

place	candidates	Management qualifications	Success in the Kazakhstani market	Ability to lead the sector	Presence of a recognisable image	Attractiveness for investors	Transparency level	Ability to create positive conditions for personnel	Ability to work in crisis situations	Corporate ethics	Quality of social programs	Attention paid to environmental protection	Total grade 2006	Total grade 2005	Total grade 2004
1	KPO	5	5	5	5	5	3.6	5	5	5	5	4	4.78	4.352	3.845455
1	Chevron	5	5	4.5	5	5	4	5	4.6	5	5	4.5	4.78	4.4833	4.581818
2	KMG	5	5	4.6	5	4.5	4	4.3	4.6	4	4.5	4	4.5	4.4583	4.618182
3	LUKoil	4.6	4.6	4.6	4.6	4.6	3.6	4.3	4.6	4.3	4	4	4.345	-	-
4	TCO	4.6	4.3	4.6	4.6	4.3	2.6	5	4.6	5	4.6	3	4.29	4.4416	4.572727
5	Agip	4.6	4.3	4.6	4.6	4.3	2.6	4	4.6	4	4.6	3	4.1	4.21666	4.1
6	PetroKazakhstan	4.6	4.6	4.3	4.3	4	3	4.3	3.3	3.6	4	3	3.9	3.895833	4.472727
7	CNPC	4	4	4	5	4	2.3	3.5	4.5	3.5	4	3	3.8	4.375	-

KIOGE 2006

On October 3-6, the Caspian region and Central Asia's largest International Oil and Gas Exhibition and Conference - KIOGE-2006, took place at the Atakent Centre of Business Cooperation in Almaty. During the current year, KIOGE-2006 was devoted to the 15th anniversary of independence of the Republic of Kazakhstan, and was held for the 14th time with the active support of the Kazakhstani government, represented by the Ministry of Energy and Mineral Resources, and the national company - KMG.

Over 490 companies from 38 different countries took part in the exhibition. Moreover, over 1,000 delegates participated. This year, the exhibition included government delegations from the UK, Iran, Norway, Russia, Uzbekistan and Azerbaijan. The total number of invited delegates, who were specialists from the oil and gas sector of many countries, exceeded 15,000 people.

The two-day KIOGE-2006 conference, like in previous years, brought together many acclaimed participants. The programme included speeches by 60 high-ranking officials on various subjects, covering a wide range of issues, including the technical challenges experienced in the development of Kazakhstani oil and gas fields, the development of regions that are rich oil and gas reserves, transportation routes, investment prospects and environmental protection.

Karachaganak Petroleum Operating B.V. also participated in KIOGE-2006. The KPO delegation consisted of 25 representatives from various departments, and was led by Paolo Campelli, who gave a presentation on the first day of the conference. Nurzhan Kamalov, the HSE and Corporate Affairs Manager, commented on KPO's participation in KIOGE-2006, noting that this year, KPO showcased its achievements in the area of production, environmental protection and ensuring production safety, personnel nationalisation, the involvement of Kazakhstani suppliers of goods and services and the realisation of the company's social programme.



KPO's main billboard was located in the main pavilion - 9C, and its modern design, with its traditional, national style differentiated it from the others. Visitors were able to update themselves on the company's operations at the current stage of the Karachaganak field development, and could ask questions of company spokespersons.

In addition, KPO was represented at the very first KIOGE Oil and Gas Job Fair, which was held in Pavilion 11. The main topic of the job fair was the involvement of specialists and graduates seeking opportunities for enhancing their professional level and achieving promotion in the oil and gas sector.

According to the majority of visitors, KPO's materials accurately showed the nature of the Karachaganak field today, and present-day Karachaganak means thousands of jobs, the active involvement of Kazakhstani contractors and suppliers, a dynamic programme for training national personnel, participation in the public social and economic and cultural life of West Kazakhstan, and striving to preserve and expand the natural resources of the region.

NEW HIGH SCHOOL FROM OILMEN

Karachaganak Petroleum Operating B.V. (KPO) has successfully completed the construction of a secondary school for 1,296 pupils situated in the North Eastern micro-district of Uralsk.

Representatives of the WKO Akimat, together with Oblast Akim, Nurgali Ashimov, representatives of the Ministry of Education and Science, KPO and its contractor organisations, World War II veterans and members of the Uralsk community attended an opening ceremony of the new school.

WKO Akim, Nurgali Ashimov thanked KPO and its contractors for constructing a modern school providing all necessary

conditions for a pupil to receive an in-depth knowledge of various subjects.

Cameron Crawford, KPO Operations Director said: "We believe that this is a very good present for all of the children of Uralsk on the eve of the new school year. For many years now, local communities have been able to enjoy new schools, medical facilities, cultural and sport centres built or reconstructed through KPO's social investments. I hope that KPO's social programme will further ensure that the potential of the Karachaganak project is tapped for the benefit of Kazakhstan and its people".

The construction of the secondary school was completed within twelve months. The total volume of investments by KPO is estimated at \$3.9 million. The Uralsk based construction company ZhaikSelStroy was the main contractor for the project. As part of the project, a school stadium, volleyball, basketball courts and a gymnastics area were constructed using KPO's investments. Also, a military training zone and special grounds designed for labour training, natural history, biology and experimental work were improved. As part of KPO's social programme, a secondary school

in the 6th micro-district of Uralsk, a school in the Zachagansk village and rural schools in the villages of Azhbai, Ulenta and Dzhambul have all been constructed over the past few years. To date, the total sum of KPO investments into the construction of schools in the WKO has exceeded \$13 million. KPO invests \$10 million annually into social infrastructure projects in Western Kazakhstan. These projects include roads, hospitals, schools and the construction of other social facilities. During the 40-year period of the FPSA (Final Production Sharing Agreement), investments will total \$400 million.

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