

**RK PRIME MINISTER SPEAKS HIGHLY OF LEVEL OF RELATIONS WITH BG GROUP**



The Executive Vice President and Managing Director for Asia and Middle East of BG Group Dave Roberts took part in a ceremony for the official inauguration of the RK President in Astana, which was attended by a delegation of over 70 different countries.

While in Astana, Dave Roberts also met with Prime Minister Daniyal Akhmetov. During the meeting, Mr. Roberts expressed his gratitude to Mr. Akhmetov for the administration's trust and support during their cooperation, and noted the high level of organisation in the management of the Kazakhstani government. BG Group, the largest British investor in Kazakhstan for over 10 years, has worked actively in the country in the area of oil and gas production. The company owns 32.5% in the Karachaganak development project. Moreover, BG is a CPC shareholder, with a 2% stake.

The Prime Minister of RK also spoke highly of the level of relations with the British company, and noted Kazakhstan's readiness to actively continue their joint work. Mr. Akhmetov also emphasised that the government has always stuck to its earlier assumed obligations in partnership relations, as these form the basis of its future effective work.

**TOPAN TAKES TO THE ROAD**

KPO is currently moving away from the large construction contracts and orders that were typical of the development phase of the project and, now KPO requirements are associated with production and maintenance. Expenditures levels are now reduced with a need to control quality and costs very closely. The production activity of KPO in the Karachaganak field concentrating on production of oil and gas require the involvement of service and supply companies which are contractors and sub-contractors to KPO. Any Kazakh company wishing to work with KPO should develop its capabilities in the quality and range of goods and services. In addition KPO's HSE requirements to its contractors and sub-contractors are rather high which are successfully work with KPO and its contractors. And here we would like to tell about the success of the Kazakh company Topan LLP based in Uralsk. The background of this success story is as follows: KPO's contractor Nalco working in the Karachaganak field is managing and providing all the chemicals KPC is currently using in its process. Most of the chemicals they use are supplied by a local contractor Topan. With the launch of KPC production facilities in the Karachaganak field, it required bulk quantities of caustic soda at 14 and 47% concentration, and also sulphuric acid at 50 and 93% concentration for specific process systems within the complex. As holder of the Chemical Supply and Support Services Contract with KPO, Nalco is responsible for the provision of these chemicals which was achieved via a sub-contract agreement with Topan LLP. Thus, Topan has become the first to supply chemicals to the laboratory located in KPC.

Initially Topan supplied small quantities of chemicals and as the demand has increased substantially their business is now gradually growing. However to successfully continue the work and under the sub-contract agreement Topan was supposed to meet HSE requirements as part of the safety plan KPO impose. Nalco carried out a detailed safety audit of Topan in July 2004 and highlighted several improvement areas. One of the recommendations from this audit was a further safety inspection of the Topan production facility. The further inspection was performed by Nalco's specialists Jim Mackie and Steve Farmer in October 2004.

The improvements recommended by Nalco were summarised in an action plan document that was issued to Topan to provide focus on the issues to be addressed to improve the overall safety of the production facility. Regular progress reports were received from Topan and following resolution of the remaining actions on the list, Nalco performed a follow-up inspection of the facility in order to verify the improvements registered. During this closure visit, Nalco also observed the production of a batch of liquid caustic soda solution, the safety aspects of which are also covered in this document. Topan was very quick to take into account all the recommendations offered by Nalco and as the result the company have invested a lot of money to improve themselves and today they are providing a very good service.

Topan management and its staff are very pleased to know that the chemicals they supply to the field are of great demand in Karachaganak. They say: "With the help of our partners from Nalco we are now confident that we have the complementary skills and experience to compete effectively for business. We would like to thank the people at KPO and Nalco and especially Sarah Frost, Production Service Manager of KPO, Jim Mackie, Nalco Site Manager and Steve Farmer, Nalco Chemical Application Supervisor".

**KPO'S NEW ECOLOGICAL PROJECT**

KPO recently announced the successful completion of a new project entitled, "Development of a measurement method for determining H2S in soil". In order to obtain more detailed information on this project, we met with a KPO employees from the Department Health, Safety and Environment Serik Kadraliev, as well as Tatiana Androsova, who participated actively in its development.

**-First of all, congratulations with the completion of this absolutely important project for KPO. Could you inform our readers on the goals of this project and the necessity for developing these new methods?**

-Firstly, we would like to say that Karachaganak's products are characterised by a high hydrogen sulphide content. This is why our company continuously monitors the content of pollutants in the soil, including hydrogen sulphide, while engaging in operations to reduce waste and the negative impact on the environment. Concerning the project goals, I would like to note that methods that were used earlier for determining the hydrogen sulphide content were based on iodine-metric determination of dissolvable sulphides, which had a certain margin of error. Data received on the hydrogen sulphide content in the soil as obtained through these previous methods were not scientifically grounded, and were published in the media without proper explanation as to their true meaning, and thus could lead to incorrect perceptions on the part of the public. As a responsible operator, KPO is interested in the development of a new method for obtaining more reliable data, which provides the basis for making more objective decisions in relation to ecological protection activities, depending on the level of the H2S concentration in the

soil. This is why KPO has started the development of a new method of measurement for determining the hydrogen sulphide content in the soil. It is also important to note that the new method has been registered at the RK Metrology Institute. The older method was not included into the Register at the State System for the Provision of Unified Measurement.

**- Who carried out the audit that concluded that using the old method was ineffective?**

-The audit on the old method was carried out by foreign experts, including a doctor of biological sciences, Rolan Bori, a Chevron ecologist, bachelor of chemical sciences, and member of the American Association of Quality, Chris Keryn, who came to the conclusion that this method includes the determination of dissolvable sulphides rather than H2S, and is therefore not applicable for determining levels of H2S in the soil of the dry steppe of Kazakhstan. (Earlier upon KPO request, Chris Keryn had also provided assistance in the preparation of the Gidromet Ltd. lab for achieving international standards certification). In order to be certain of the conclusions reached on the part of the foreign specialists, our company also asked the West Kazakhstan branch of the National Expertise and Certification Institute to conduct an attestation of this method. Expert auditor and doctor of technical sciences, Professor Kiyansky V.V. conducted an analysis of this method along with a literature review, and agreed with the conclusions of their foreign colleagues, coming to the conclusion that this method provided distorted results.

**- What are the advantages of this new method compared to the older variant?**

-The new method is an important achievement for Kazakhstan's petroleum industry



since it allows for precise and reliable data on H2S concentrations in various types and composition of soils to be received using the gas chromatography method. Our company has developed a new scientific methodology, which can be successfully applied at other national production facilities.

**- What company took part in the development of this project?**

-In order to attract a certain contractor for the development of this project, we were required to announce a tender. The American, Chris and Company at first suggested developing a method without including it into the State Register, but we had an attestation for the method, and including it into the Register was a mandatory precondition. As a result of the tender, the development of the method was given to the EnSafe Kazakhstan Company, which brought in the Centre of Physical Chemical Methods of Analysis under the Chemical Department of Kazakh National University. They subsequently conducted a broad scientific study.

**- Can you describe in detail the volume of work that was completed?**

-First of all, they studied the previous method as well as that used for determining the H2S and ion sulphide levels at environmental protection facilities

in world practice. As a result, preference was given to the gas chromatography method. Moreover, they studied all detectors and characteristics of columns. They stopped at using a fire-photometric detector. They also worked on a Tsvet-500 chromatograph. They selected necessary components for determining H2S levels, since H2S is an active gas, and in order to avoid its oxidation, it was necessary to process it with inert materials. A method for the selection of soil samples was also developed. Specialists from these organisations conducted multiple lab and production tests on methodology for determining metrological characteristics. The soil samples from the Karachaganak field were sent to Almaty many times for testing. As a result, the method was approved by the RK Technical Council of the State Standards and a metrological attestation certificate was awarded along with the registration number.

**- Did it take a lot of time for the development of this project, and what was the total cost?**

-The project was developed over a period of 1.5 years. The contract with EnSafe was concluded in July 2004 for a total cost of USD 50,000.

**- Thank you for the interview, we wish you success.**

**KPO'S NEW PROGRAMME SYSTEM**

The successful introduction and ongoing usage of the SunSystem, the official financial programme at KPO, has played a considerable role in the operations of the company's financial and all other departments, which record their expenses through the system's functional capacities. The correct usage of the SAN system provides the opportunity for the introduction, analysis and review of various types of financial operations, and for creating accounting, economic, tax and financial reports.

The number of SunSystem users is 331 people as of today. The main users that are working with the system are the accounting and treasury sections for creating reports to parent companies, the Tax Department, the Budget and Reporting Department, as well as the expense controllers in all KPO departments. The Sun Programme Administration Group was created with the support and training of users, the introduction of improvements, the creation of new reports, for conducting interfaces between the SunSystem and other programmes (Maximo, Scala, Excel), for checking data in stored materials and on the salaries for local personnel and many others. Despite the fact that the group consists of 3 young specialists (Shakurova Zarina, Utepova Aliya and Kabakova Asylyganym) led by

Espayeva Bakhytzhana, the volume of work being done fully satisfies the requirements of the Financial Department management. The sense of teamwork assists them in coping with challenging tasks and problems that arise in the workplace. In order to work in the group on the administration of the SunSystem, a solid knowledge of accounting principles, financial reporting, FPSA and internal procedures are necessary, in order to construct the system functions. An extensive knowledge of programmes such as Actuate Professional Report Designer, Vision XL, Vision Budget Management and Excel are also necessary, in addition to a working knowledge of Access and Visual Basic. The current team, which consists of 4 young women, possesses such knowledge and is able to apply it successfully. The SunSystem covers all financial spheres, including accounting, treasury, reporting, budget and tax reporting, which requires specific knowledge necessary for the solution of related tasks. All of this allows the professional young team members to obtain experience and constantly participate in the analysis of various types of projects related to the above mentioned areas.

Section head Espayeva Bakhytzhana says that due to the presence of experienced financial managers such as Flavio Sidagni and Alex Cotgrave, who have completed



their work in the project, they have been able to go from the previous IDEAS financial programme to the new improved SunSystem, and have successfully introduced a number of important projects, which facilitate the users work.

The team speaks about JVA Managers, Florid Galyamov and Richard Long with a special warmth, for their support of the young director and the entire team. Despite the fact that they are so busy, Financial and Control Managers Karl Tompson and Luigi Moretti share their experiences with the team and always find time to assist in solving complicated issues and problems. Specialists from the IT & T Department, Viktor Gergert, Anton Dyrdin, Matthew Citi and Chris Hiskish also deserve special gratitude for their help and cooperation in resolving problems related to the SAN, Maximo and MaxiSun systems.

According to the young specialists from the SunSystem administration, working in this

group is very interesting, as their tasks are not limited to narrow obligations, and require broad and deep knowledge of the work of each department in order to remove sources of failures and to provide assistance. Each day is intensive, and no two days are the same. One could say that their work is never routine in nature. Each of us, in addition to solving problems experienced by users, also have individual tasks and projects; including the creation of new reports reflecting user requirements for various departments Bakhytzhana says. Recently, the SunSystem was introduced successfully in the company's London offices. During a business trip to London, Espayeva Bakhytzhana was working on the introduction of this system together with Kursty Paton, the FIN/BGOV controller. The introduction and improvement of the SunSystem continues, which provides a start to new and interesting projects.

## PROTECTING COMPANY'S INTERESTS

Effective and continuous production operations of any international oil and gas company working in Kazakhstan in many respects depend on the coordinated activities of its personnel and how competently the company's interests are protected.

KPO's Legal Department was set up since the company started its operations in Western Kazakhstan region. The opening of this department in KPO has become essential to solve legal matters arising in the course of production activities connected with the development of Karachaganak field.

The main purpose of the Legal Department is to cover a wide range of legal matters related to KPO's activities in the region. The department's responsibilities are focused on providing consultation to the company's management on application of Kazakh legislation; explanation and regulation of legal matters in the process of production activities; participation in the legal procedures to protect KPO's interests. Also KPO's lawyers participate in the examination of company's activities implemented by state supervisory bodies and in case of need the lawyers have to appeal unlawful acts on the part of authorised bodies. In addition,



a team of lawyers prepares all legal records requested by the company's management and presents both formal and informal legal opinion.

Nowadays, KPO's Legal Department consists of seven Kazakh employees who have broad expertise in the oil and gas sector and have already given good account of themselves. It is worth to note that the team of lawyers fully understands the responsibilities they face to the company and therefore they work as one team. According to them: "In many respects this is a merit of General Counsel Francesco Bentivegna, who is the head of the legal team".

The lawyers admit that Francesco is an experienced

and charismatic link of their team and he has made a lot of efforts to make the team strong just as it is now. As General Counsel he is responsible for the implementation of organizational issues connected with the managing of KPO Legal Department. Final decision on any complicated legal issue is on him. In addition, he takes part in most meetings with high-level Kazakh officials to regulate any important issues concerning KPO's activities in the Country.

The manager of the Legal Department is Arman Markashov. He has a wide experience of legal work in the oil and gas area. Nurlybek Utebaliyev is the deputy manager. Before joining KPO, Nurlybek has worked as a

lawyer in a company involved with the development of Karachaganak field. Aniya Karashutova is the Head of Litigation. She is a lawyer of wide work experience. When she worked for the Prosecutor's Office authorities, she obtained recognition as a competent and qualified specialist. Aniya is entrusted with the most important cases to represent the company in front of the judicial bodies. The lawyer Yerken Iskalyiev started his professional career in the Prosecutor's Office. Moreover, his studies in the USA help him now to apply the acquired skills in the current job. The company's lawyer Sergey Meshkov was working for consulting Service Company. The lawyer Yerzhan Jumagaliyev was working at Karachaganak and Tengiz projects. The personal assistant - interpreter Olessya Filippova also plays an important role in the department. The department's employees know that any request or urgent translation will be accomplished by her on time and faultlessly.

The KPO Legal Department carries out very important and crucial work. One could say with certainty that any work committed to them will be done without delay and on high professional level.

## KPO PROVIDES TRAINING FOR KMG ENGINEERS



KPO's success with the implementation of multilateral drilling and completion technology is well known in Kazakhstan through the contacts with the authorities (KMG and MoME) and presentations made last year at the Technology Conference in Almaty. Following such recognition, a special training programme on multilateral drilling and completions was organized by KPO for KMG engineers at the request of Mr. Jakiev, KMG Director of Karachaganak Project. KPO accepted the offer willingly as a means of further improving the technical communication between the engineers of both organizations.

The training session included presentations from KPO Well Operations engineers and from two service companies, namely Baker Hughes and Halliburton. For the trainees, there was also a field day organized to show them actual tools used in multilateral wells, following to use of demonstration models in the class room. There were 11 participants altogether from 3 different working places of KMG.

## ASSISTING BUDDING ENTREPRENEURS



Another important event recently occurred in the social life of Aksai. Karachaganak Petroleum Operating B.V. (KPO), the Burlin District Akimat and the DAMU West Kazakhstan Oblast Association of Entrepreneurs have announced the opening of a business centre and business incubator in Aksai aimed at the provision of support in the development of local entrepreneurial activity.

The main goal of the project, which is being conducted with the full financial support of KPO is not only teaching the basics of business, but also for offering support to budding entrepreneurs in the creation of effective and competitive companies, and teaching skills in the organisation of small and medium sized businesses.

The KPO General Director Paolo Campelli noted that: "This project will help entrepreneurs and farmers of the Burlin District to gain access to the latest business technologies and funds necessary for business expansion and the creation of jobs, which will create necessary conditions for the sustainable development of the region." Commenting on the participation of KPO in this project, Mr. Campelli also added that this important initiative reflects the desire of KPO to assist the growth of the social and economic welfare of the people living in the WKO, especially in Aksai and the settlements that are located near Karachaganak. According to the DAMU Association, the Chairman of the Board Serik Kaishin, the training of local entrepreneurs and farmers will be conducted at the business centre and incubator. The centre specialists will also assist in helping them to obtain micro loans and in conducting consultations on the subjects of marketing, planning and the legal aspects of correct business operation.

In addition, beginning entrepreneurs can also obtain necessary administrative skills, including working with computers, using copy machines, telephones, fax, e-mail and the Internet. It should be noted that the business centre lessons will not only be conducted in Aksai, but it is also planned to conduct regular seminars, trainings and consultations for rural residents, which will provide the opportunity for people to obtain the necessary qualified assistance for opening a business. "There are three factors that give this project a good chance for success. These include the participation of professionals in the area of the development of entrepreneurial activity; considerable funds that have been provided by KPO and the help of the Burlin District Akimat, which understands the importance of small and medium size business," Kairshin said.

Bolat Serikbayev, KPO PR specialist, who took active part in the implementation of this project, pointed out that the experienced specialists at the Business Centre would conduct seminars and specialised courses on the following programmes: Management, Marketing, Advertising, Personnel Management, Retail Sales, Selling, Sales and Customer Service, Finance, Information Technology, etc. Taking into account the regional peculiarities, special attention will also be paid to training and offering practical assistance to farmers of the Burlin District in the WKO.

In addition to the annual investments of USD 10 MM on the part of KPO being placed into the development of social infrastructure in West Kazakhstan, the company also allocates about KZT 100 MM each year for socially important projects in the region. During the past few years, KPO engaged in a number of important projects in the WKO in the area of sustainable development, education, healthcare, training, and the enhancement of young people's role in society and culture and sports.

## GIDROMET LTD – DEEPENING COOPERATION WITH KPO

In previous issues, we had reported that in August of last year, the Akimat and Maslikhat of the Burlin District and KPO had signed a Memorandum on the Creation of Consultation Groups in the settlements that are located near the perimeter of the Karachaganak field, with the purpose of informing the population of the 5 rural districts (Berezovka, Uspenovka, Zharsuat, Priuralye, and Kyzyltal) that are adjoining the field on the condition of its development and KPO operations, including production, the social sphere, the provision of ecological and industrial safety, emergency response and sanitary epidemiological welfare.

On January 6th of this year, representatives from the KPO PR department organised another visit on the part of consultation groups to the "Information Production Centre Gidromet Ltd". The groups included the akims of the above mentioned rural districts, the heads of agricultural associations, pensioners and teachers.

The programme for the visit included a presentation of the accredited environmental laboratory complex, which is located in Aksai and is a part of specialised LLP Gidromet Ltd. consulting firm, and has been in operation ever since 1996. Branches of the lab function effectively in Aktobe, Atyrau and Tengiz, providing efficiency, reliability and quality in their operations.

At the present time, Gidromet Ltd's main customer at Karachaganak is KPO. According to the company Director, B.S. Babykov, the company conducts research on the level of pollution in the atmosphere, surface and drinking water, the industrial and ground waters, as well as the soil, production wastes and plants in the industrial zones and settlements, through conducting systemic laboratory research and measuring dangerous and harmful production variables and industrial wastes.

The staff at Gidromet Ltd. totals over ninety qualified experts. Thirty-three of these employees possess a higher education, including candidates of technical sciences, candidates of chemical sciences and candidates of legal sciences. For the improvement of the quality of their work, the company provides considerable opportunities for the annual enhancement of qualifications of their engineering and technical personnel. Thus, in 2004-2005, the experts from Gidromet Ltd participated in seminars and obtained certificates including from BM TRADA Certification, USAID, the National Accreditation Centre, the Kazakhstan Metrology Institute, the National Inspection and Certification Centre, the International Economics and Technical Centre, the Shimadzu Company, the Agilent Company, the Analit Company. The company's employees are well educated on the latest scientific and methodical publications, and they participate in seminars, scientific conferences and exhibitions. The company also cooperates closely with scientists and highly qualified specialists from Kazakhstan and abroad.

Lab Chief A.Amankulova went on an excursion to various departments and discussed advanced technical methods, with the help of which, measurements and analyses are being made related to environmental protection, for complex ecological monitoring of natural environments, and ecological audits.

Thus, the company's experience allows for conducting ecological research and the monitoring of natural environments, and full ecological compliance with economic activity. All methods that are in use at the lab for assessing compounds are included into the RK State Register. The lab devices are certified and approved by the Committee of Standardisation, Metrology and Certification of the Ministry of Industry and Trade. The lab has all necessary conditions for the future successful implementation of advanced methods. Automobiles and cameras are also used.

The company always keeps up with recently published

standardised methodological and instructional documents. During the course of their work, Gidromet Ltd. is guided by environmental legislation, government decrees and legal norms, and possesses its own database. A knowledge of national legislation is necessary for the justification of practical environmental protection measures and the organisation of and agreement on project documentation with regulatory agencies.

The basis of the environmental legislation is constitutional provisions dealing with environmental protection. The constitutional provisions that outline the legal regulation of environmental protection lead to the development of legislation and standards, which form the basis for all work conducted by the company. The company possesses technical and methodical documents and scientific literature for conducting ecological protection design, the formation of standards and other activities. Modern license programmes are used during the analysis of information and the registration of reporting materials, and an information security protection system has also been implemented. The quality of Gidromet's scientific technical products meets international requirements and recommendations. The company also has all of the necessary licenses and certificates for conducting work in the area of environmental protection, among which are included state licenses from the Ministry of Environmental Protection, the Ministry of Healthcare, and an ISO 9001:2000 International Quality Management System Certificate.

One of the company's most important goals is to be the best in the area of security, labour protection and healthcare. The company observes requirements established by state standards, security guidelines and special guidelines. All employees are trained in safety measures and are tested through the use of exams.

The company implements social programmes that are aimed toward the improvement of living standards of the employees, including the training of specialists at higher education institutions and colleges, medical services, the provision of tickets to sanatoriums, and the voluntary and mandatory insurance of all workers.

At the present time, Gidromet Ltd is deepening its mutual cooperation with consultation groups from the settlements that are located near Karachaganak. During the visit on the part of the consultation groups, they were provided with necessary explanations regarding the parameters of monitoring of dangerous and harmful production variables, and industrial wastes from Karachaganak. Residents from the villages near the field were also invited for participation in these measurements. The company plans in the future to develop joint work with these consultation groups. At the moment, this LLP is the only complex laboratory that has been twice accredited in the RK. The company has made an effort to become one of the best in the country and has accomplished this task. KPO General Director, Paolo Campelli, the KPO Corporate Affairs and HSE Controller N. Kamalov and other KPO employees were invited to a presentation on the part of Gidromet Ltd that was held on January 14th. Also attending were the head of the West Kazakhstan Regional Department of Environmental Protection, R. Suerbayev, the head of the West Kazakhstan Department of Nature Usage, A. Savran and representatives from the administration of the Burlin District.

KPO General Director Paolo Campelli had pointed out that beginning the new year in a new building is very symbolic for Gidromet. After thanking them for the quality of their work and expressing his confidence in their further successful cooperation, he presented a commemorative gift to the organisation