

Kazakhstan President visits Uralsk

On 23 September 2008 the Head of State, President Nursultan Nazarbayev toured Uralsk with a two day working visit. During the trip he was updated on the progress of strategically important tasks set forth in his annual State of the Nation Address earlier this year particularly with respect to industrial and innovative development.

When visiting the West Kazakhstan Machine Building Company he met with KPO's General Director Roger Fox and Executive Controller Nurzhan Kamalov.

During the conversation, the Head of State was briefed on the current status of the Karachaganak Project and the company's interest in engaging businesses and manufacturers from the Western Kazakhstan Oblast throughout the next phase of development which envisages construction of new hydrocarbon production and processing facilities.

Roger Fox said that to date considerable progress had been made on the project design. He added that Partners had also completed a review of the proposed gas processing facility and this was submitted to KazMunaiGas. The senior executives of "Samruk" Holding and NK "KazMunaiGas" also participated in the discussion.



Roger Fox also briefed the President on the excellent progress with the Uralsk Gas Pipeline Project that was launched as per the Head of State's instruction. He then said that the Partners were also looking to implement a wide range of sustainable development projects in the region as part of the next development phase. During

the conversation, the President was presented a book dedicated to Karachaganak's history, recent achievements and plans for the future, as well as its role in West Kazakhstan's socio-economic development.

The President said that he was satisfied with the work accomplished at Karachaganak by

the Consortium of foreign investors and wished them success in their future endeavours.

Later the same day, President Nazarbayev, accompanied by the WKO Akim, visited a newly built kindergarten in micro-district #7 in Uralsk.

Kindergarten "Balbulak" is a two-story building which is home



to 12 groups of children. The facilities include a dancing hall, sports hall and a separate kitchen compartment. The building is equipped with amenities that meet all modern requirements.

The Head of State was pleased with what he saw and presented the kindergarten with kids' toys and keys from a minivan "Gazel". The WKO Akim, Mr Izmukhambetov introduced the facility as one of the social projects delivered this year by KPO. Roger Fox, who also attended the ceremony, assured the President that KPO will continue working together with the WKO Akimat to successfully fulfil its social investment commitments in the region.

President Nursultan Nazarbayev with KPO representatives

KPO at Kazakhstan Labour Protection Forum

The Kazakhstan International Labour Protection Forum took place on 22 August in Rudny. The Forum, which focused on skill development, was hosted by the Ministry of Labour and Social Protection and the Ministry of Education and Science.

The Forum was attended by the Kazakhstan President Nursultan Nazarbayev who urged the government to provide more incentives for large companies to prepare qualified specialists and create educational centres. In particular he pointed out,

made a detailed presentation on KPO's Training and Development Programme entitled "Developing Karachaganak's Talent". He also spoke about Karachaganak's safety, local content and vendor development programmes.

"We are acutely aware of President Nazarbayev's vision for Kazakhstan to become one of the top 50 most competitive economies in the world. The Karachaganak Venture brings expertise and knowledge from four international oil & gas companies – BG Group, Eni, Chevron and LUKOIL.

of expatriates is decreasing."

Roger Fox went on to say: "We also know that the development of our workforce will be critical to our future success. Attracting and retaining qualified, competent staff is very challenging in today's environment, but we have put in place long term development programmes and we are pushing forward with our nationalisation agenda.

In 2007, we met the targets set by the Republic in all four categories. We already have a team of national managers who help to shape the company's strategy and represent KPO at senior levels, both within Kazakhstan and internationally."

While KPO has successfully reached its FPSA targets, the Venture is already setting new benchmarks that will see Kazakh managers steering the future course of Karachaganak. KPO is also continuing to develop its on site training facilities. Short and long term training and development programmes for KPO personnel and graduates development are delivered in these facilities.

The training and development process has changed considerably over the last ten years, from single requests for training and general skills development to a much more structured, schematic approach towards workforce development. KPO believes that only an individual approach to workforce development will deliver successful performance.

KPO has established an individual based approach towards personnel development. A Competency Management System was designed for managing the people development process as



a whole. The system allows the company to have a clear vision of employees' current and future training and development needs and engage line management and employees in the process.

KPO cooperates with more than 13 international educational bodies which provide international qualifications to national staff at the company's premises. It is also worth noting that some of these international qualifications are delivered by Kazakhstan based providers. This underlines the fact that service sector in Kazakhstan is developing in the line with clients needs.

Over the past 10 years, Karachaganak has invested over \$96 million in local staff development. In addition to training the KPO workforce, the company also delivers mandatory HSE training courses to KPO contractors to ensure they are in compliance with Kazakh regulations and KPO HSE policy.

Earlier this year, KPO launched the largest graduate development programme in Western Kazakhstan. Over 150 graduates are undertaking training in three

main areas including engineering, operations and maintenance. These graduates will help to fulfil resource requirements for the fourth train project and also the next development phase.

In accordance with the goals of the President of Kazakhstan, KPO is also committed to training and developing the Kazakhstani workforce as a whole. The company is working closely with regional education bodies to provide training services and develop curriculums which support future business requirements. As part of KPO expansion plans, there will also be a state of the art training facility built to accommodate delivery of a range of programmes.

The company firmly believes that focusing on training and development today will position them well in fulfilling future resource requirements. It will also enhance local capabilities and bring additional benefits to the region & local community.

KPO at the International Labour Protection Forum



"The government, along with the presidential administration, need to bring the state programme under their constant control, and facilitate the aspiration of large companies to train their own staff."

KPO's delegation, headed by General Director Roger Fox, also attended the Forum along with representatives of other national and foreign companies. During the Forum Roger Fox

KPO focuses on the broader community in which it operates and the company aims to share knowledge and expertise with its Kazakh colleagues, partners and contractors. We firmly believe that doing so broadens and deepens the economic foundation upon which the business depends.

We are committed to national workforce development and nationalization of expatriate positions and as a result the number

BG ENERGY CHALLENGE 2008-KAZAKHSTAN

This year's BG Energy Challenge 2008 took place from 5 to 7 September 2008 in Borovoe, the Kazakhstani 'Switzerland' located in the north of Kazakhstan, between Astana and Kokchetav.

36 teams from companies associated with the Kazakhstan energy sector participated in the two day BG Energy Challenge 2008 – Kazakhstan event. Over \$ 108,000 was raised during the event for the Kazakhstan National Paralympics Committee, a non-profit organization dedicated to enabling Kazakhstan Paralympics Athletes to achieve sporting excellence.

The annual event, hosted by BG Kazakhstan, attracted around 200 participants from companies including Amec, Air Astana, Agip, BI-Group, BG Kazakhstan, Deloitte, InterGas Central Asia, ConocoPhillips, PetroKazakhstan, KazTransGas, Worley Parsons, Pricewaterhousecoopers, KEGOC, Shell, KazMunaiGas, KPO, Grata Law firm, Schlumberger, ExxonMobil, LUKOIL, MaxPetroleum and members of the press.

The teams faced a range of tasks including night-time orienteering on the water, called Glow Stick Odyssey, rope bridges, mountain biking and orienteering to various check points using GPS units. The objective of the Challenge was to find, neutralise and dispose of a barrel of chemical waste that was threatening a local water source.

The BG Energy Challenge is an exciting mix of challenges drawing on peoples' leadership, communication and team building skills. From the start teams plan their strategies and make team decisions in order to be successful.



KPO's team at BG Energy Challenge 2008 Kazakhstan

Awards were given in the following eight categories:

- Overall winner – Karachaganak 1;
- Best female team – Worley Parsons Economics;
- Best male team – BG Kazakh Stallions;
- Best team spirit – COPS Conocophillips;
- Best mixed team – BG ZAVAL
- Under 30 years- Worley Parsons One Way
- Above 30 years - Amec LLP Snow Leopards;
- Best team fundraiser - Karachaganak Petroleum Operating (KPO).

The Kazakhstan BG Energy Challenge 2008 was organised in collaboration with Red Rock International, which provides leadership and team training courses around the world. OV Kokshetayminvody, Air Astana, Pension Fund "Respublika", RESMI, Beeline, BJ services, as well as media information sponsors, Europa Plus Kazakhstan, Expert Kazakhstan, Vechernya Astana, InforTces, Ogonek, KazInform supported the event and the charity.

The Challenge is a test of teamwork, ingenuity, skill and commitment, drawing support from a wide variety of companies in the energy sector and raising substantial funds for charity.

The BG Energy Challenge series has been running worldwide for the past twelve years. As well as the Kazakhstan event, the Challenge is also held annually in Brazil, Egypt, India, Trinidad & Tobago, Oman, the UK and the US.

On 15 September General Director of KPO Roger Fox met with KPO participants of the BG Energy Challenge 2008. At a small celebratory event, Roger Fox congratulated them on their victory.

"I know it was very challenging event and physically demanding. While we are very proud that a KPO team won the overall event, we were also the best fundraising team and this is a real achievement which will really benefit those less fortunate than us. Proceeds from the event are donated to the National Paralympics Committee of Kazakhstan," said Roger.

OIL BASE MUD IS NOW USED IN DRILLING WELLS IN KARACHAGANAK FIELD

Oil base mud is now used extensively across Karachaganak drilling operations. The project required substantial studies and preparation to design and build a plant suitable for its preparation, treatment, reutilization, storage. The facility is able to operate 24 hours a day all year round to satisfy the needs of the drilling operations, which will enjoy the benefits of the best available technology.

What is mud in drilling?

The mud is a special fluid circulated in the wells, where it cools down and lubricates the drilling tools, and carries out the

debris of rock that is generated, plus other functions.

When it returns to surface, the mud is treated to separate the debris and to re-establish its desired characteristics. It is then pumped again in the hole to repeat the cycle.

Why use oil base mud?

The oil base mud is a fluid that utilises oil instead of water as principal component. It is used across thousands of projects and provides many advantages to drilling operations in difficult conditions. The difficulties increase when wells are very deep, or drilled with an

inclination to reach distant parts of the reservoir, or temperatures are very high. There are conditions when common systems used for normal wells are not adequate.

The oil base mud is used more frequently around the world, also offshore, when difficulties are greater.

Oil base mud is prepared with special equipment in a facility built inside the Waste Management Complex in the field. There the mud that was already used in a well is also treated and stored for reuse. All of the oil is removed from the solid particles that come to surface and it is reused. Only residual traces are left for disposal and this is done under controlled conditions and without any impact to the environment.

Many new preventative measures have been designed and put in place to make sure that this always happen, they are approved and under the control of the RoK Government. The use of oil base mud represents another achievement for KPO: the utilization of the most advanced technologies together with the protection of the environment.



Waste Management Complex

KPO receives prize for the "Best Social Programme"



At the annual ceremony of Oil Workers' Ball which took place in early September in Astana, KPO was awarded the prize for the "Best Social Programme 2008" among international oil and gas companies operating in Kazakhstan. The award was presented by the Ministry of Energy and Mineral Resources.

Commenting on the award, KPO General Director Roger Fox said: "Such a high recognition of the Venture's contribution to the socio-economic development of the region is a result of the cooperation between KPO and the authorities of West Kazakhstan Oblast. I would like to extend special thanks to all our employees and the contracting companies which have been involved in KPO's social programme for their dedication and hard effort."

As it is known KPO Social Programme covers a wide range of activities from community consultation to social investment. KPO is committed to using local resources which not only enhances capability, but contributes to the broader economic development of the region.

KPO presents commemorative gifts to Rig 216 crew



In a previous edition of "Karachaganak News" we reported on KPO drilling rig 216 and its crew who achieved a significant safety milestone – five years without a Lost Time incident (LTI).

On 15 September KPO General Director, Roger Fox, and KPO Operations Director, Antonio Baldassarre, arrived at Rig 216 to present each member of the crew with commemorative watches in recognition of their excellent safety record achieved at the end of 2007.

Speaking to the crew, Antonio Baldassarre, said: "Our goal is zero injury and we have to get you home to your families in good health

at the end of each shift. There is still more work to do in ensuring that we manage workplace risks and carefully plan our everyday production activities. We hope that you continue to strive for excellence in your approach to daily operations and safety awareness."

Since August 2001, Rig 216 has worked 1,101,012 man-hours and 916,383 man-hours have been worked without a recordable incident since the last LTI in December 2002. This is an excellent achievement.

Roger Fox presents commemorative watch to a crew member

KARACHAGANAK INSTALLS INNOVATIVE TECHNOLOGY TO MONITOR PIPELINE SECURITY

Karachaganak Petroleum Operating B.V. (KPO) has recently installed state of the art pipeline monitoring technology along export routes from the Karachaganak field. The installation of this new fibre optic based security and sensing technology is a first for Karachaganak and for Kazakhstan.

Brian Drinkhall, Operations & Maintenance Superintendent for KPO's KATS Export Pipeline said, "KPO takes pipeline security very seriously and illegal tap incidents can pose serious safety and environmental issues.

This new technology will detect disturbances around the export lines and feed live and detailed information directly to KPO's central processing control room. This will enable us to pinpoint the location of the activity, reduce our response time and rapidly deploy security measures".

In addition to this new fibre optic technology, KPO will be increasing its physical security presence along pipeline routes. When a disturbance of the soil is detected around the pipeline, KPO will deploy mobile security units to the exact location and contact the appropriate Authorities.

The theft of hydrocarbon products by an illegal tap typically involves drilling a hole in a section of pipeline and siphoning off the product. In addition to the serious safety and environmental impacts this can have, it also causes major disruption to ongoing field operations.

This technology used by KPO has been developed by the Australian based company, Future Fibre Technologies (FFT). FFT were established in 1994 and have installed more than 100 systems throughout the world, primarily in high security and sensitive military and government facilities.