

## KPO STARTS UP TRAIN D

Karachaganak Petroleum Operating B.V. (KPO) announced today that it has successfully put into operation an additional liquid stabilization train at the Karachaganak Processing Complex (KPC).

The start-up of the new oil processing facility at KPC, which adds on the already existing three trains, will enable the stabilization capacity of the plant to increase by 2.57 million tonnes of condensate per year.

KPC is the main processing unit at the Karachaganak Field, preparing oil to be exported via Atyrau for sale on international markets. The plant also provides fuel gas supply for the field's power station and sweet gas supply to the local market.

The total volume of investments by KPO to construct the additional train (Train D) has exceeded \$1 billion. The major works were conducted by 14 Kazakhstani contractors employing over 2,900 people with \$650 million spent in the Republic of Kazakhstan.

Speaking on completion of the project Giuseppe Pasi, KPO General Director, said: "We start up the new facility, once again demonstrating the commitment of the Karachaganak Venture to continue investing into the development of the Karachaganak Field."



### Message from the General Director



KPO's goal is to ensure zero injuries. However, Karachaganak Field has recently experienced an increase in both the number of incidents and the severity of injuries resulting from incidents.

As part of KPO safety activity, we are launching a safety campaign based around the KPO Life Savers to remind everybody about basic safety rules to be followed while carrying out activities which may result in serious injury or loss of life.

Life Savers are a series of minimum mandatory requirements and expectations for safe practices across KPO consisting of:

- Transportation,
- Safe Systems of Work,
- Confined Space Entry,
- Hydrogen Sulphide (H2S),
- Working at Height,
- Lifting Operations,
- Excavation,
- Electrical Safety (new).

Every KPO employee, contractor and subcontractor is required to apply the KPO Life Savers and to act upon them.

All Managers are required to ensure that each Life Saver Topic is cascaded to all employees and contractors and personally monitor and ensure compliance to Life Savers by all employees and contractors.

Giuseppe Pasi  
KPO General Director



## SAP Project Realization Phase Commenced

KPO is implementing SAP as the Oil & Gas industry standard ERP system in order to establish an integrated cross-functional system to improve functional processes & the management & reporting information in KPO.

The SAP system implementation is run in accordance with the SAP best practise ASAP methodology & undergoes all phases of SAP implementation lifecycle. In the last update we discussed the accomplishments of the Project Preparation phase & the ongoing process of the Detailed Design phase.

The Detailed Design phase started in November 2010 & finished in early March 2011. The aim of this phase was to document the business process requirements of KPO gathered during requirements workshops & define how KPO will run the best business within the SAP in a coherent & coordinated fashion.

The phase started with a Kick off meeting where the project Team presented the project plan, milestones & deliverables. During the Detailed Design phase 184 KPO business representatives from Plant Maintenance, Contract & Procurement, Warehouse & Material Management, Finance & Control, & user departments took part in 38 workshops & feedback sessions conducted to discuss, understand & clearly define requirements. This

resulted in 38 design documents which were reviewed & signed off by the Business Owners.

SAP implementation is a very complex project with a huge scope involving people from all over KPO & investment in training was planned & executed for Project Team business resources during the Detailed Design phase. In line with the learning strategy for a "Train the Trainer" approach KPO employees nominated from Business departments to be "Trainers" attended SAP Standard courses in their respective modules. In addition to these courses the Training Strategy aims to develop SAP knowledge & skills of KPO employees through all Project phases to acquire & transfer knowledge by working closely with SAP Consultants in customisation & implementation of the system.

Be the end of the Detailed Design phase the Role mapping process was started with the objective to assign responsibilities to users within SAP system to perform their duties in line with redesigned business process steps. Role mapping information will serve as a basis for developing the end-user training curriculum & authorisation setting in system. Any anticipated changes which impact on KPO organisational structure will be analysed & a Change implementation plan will



be developed for the purpose of organisational alignment.

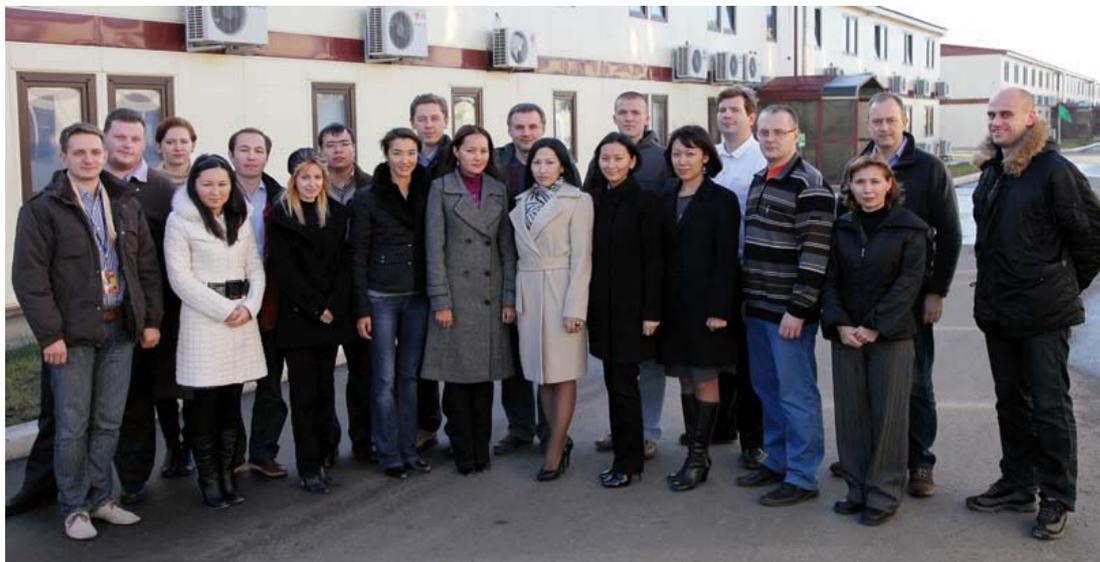
Communication through KPO intranet is an important way of informing the KPO community about progress of the project & the SAP Change Management team has launched a redesigned SAP portal to help with project communication.

Following the Detailed Design phase is the Realisation phase. This phase will last until the end of June. This is a very important & busy phase when the SAP system will be configured to meet the requirements of the Detailed

Design, interfaces & developments are completed, integration testing & user acceptance testing are undertaken, & end-user training materials are prepared.

During the Realisation phase the Project Team will be reinforced with more resources from KPO IT&T, contractor consultants, & business key users to ensure successful transformation of Detailed Design solution into SAP system.

Only with involvement & support of staff in all functions we make SAP implementation success for KPO!



# JOINT FORUM OF SUPPLIERS HOSTED IN ASTANA

Kazakhstan Association of Oil & Gas Energy Complex Organizations «KAZENERGY», NC «KazMunaiGas» JSC, and three major oil & gas operators working in the Republic of Kazakhstan - «Karachaganak Petroleum Operating B.V.» (KPO), «North Caspian Operating Company B.V.» (NCOC) and «Tengizchevroil» LLP (TCO) – conducted today a joint Forum in Astana «Original Equipment Manufacturing and Spare Parts»

More than 50 Kazakhstani machine-building and engineering enterprises, and more than 40 foreign manufacturers took part in the forum, as well as representatives from the RoK Ministry of Oil & Gas, the RoK Ministry of Industry and New Technologies, from Akimats of West-Kazakhstan, Mangystau and Atyrau Oblasts.

The primary objectives of the joint Forum were promoting further development of domestic market of goods and services required to oil and gas sector, establishing partnership relations between foreign and Kazakhstani companies, stimulation of oil equipment and spare parts

manufacturing in Kazakhstan.

The Forum facilitators provided reviews of Karachaganak, North Caspian and Tengiz Fields, familiarized participants with their needs for complete equipment and spare parts in short-term as well as in medium-term perspective. Suppliers were also familiarized with the operators' requirements to pre-qualification, local content and equipment specifications.

Addressing participants of the Forum on behalf of the KAZENERGY Association, the Chairman of the Coordinating Committee on development of Kazakhstan content and service projects Uzakbay Karabalin said: «New methodology of counting of Kazakhstan content, in one part, has strengthened requirements for things that had to be counted as a production of domestic suppliers, and limited opportunities for falsification. In other part, it has established favorable conditions for customers and real producers to easily find each other and widen scales of cooperation.

That is an extremely fruitful and perspective process for oilmen, because it is based on pragmatic

grounds. Partnership with Kazakhstan machinery producers provides oil and gas operators with an opportunity to improve the economy of their projects, reduce expenses for purchases of equipment, its shipping and maintenance service.

In common, the share of such expenses is 50-70% of the whole cost of the oil project, and the difference between pricing of Kazakhstan and similar foreign equipment can be threefold or fourfold higher. Those resources of the economy are especially in demand now when hydrocarbon prices are below of pre-crisis level, and the corporative management is asked for decisions, adequate situations».

General Manager of Service Projects of NC «KazMunaiGas» JSC Dimash Bizhanov in his speech stated that: «KazMunaiGas» Group of Companies conducts consistent and purposeful work on Kazak content development within the framework of the task set forth by the State leaders, by «Samruk-Kazyna» Fund. In this sphere «KazMunaiGas» has achieved considerable results,



but the company is not going to stop its efforts and will continue active work aimed at engaging domestic commodity-producers in joint implementation of oil & gas projects. Focus will be made on support to domestic commodity-producers in manufacturing state-of-the-art equipment that has innovative component, competitive price and quality compared with imported analogues».

Kairat Kapashov, KPO Local Content Development Manager noted: "Local suppliers' capacity building through sustainable development and skills transfer are central to the way we work. KPO is interested in development of locally sourced goods and services and developing local capabilities, because it will also bring many more far reaching economic benefits to all Kazakhstani producers."

Speaking at the event, Michael Pekarski, NCOC Contracting and procurement general manager, said that "NCOC and its Agent Companies are committed to developing and then operating a world-class project. In doing so, we believe that our activities offer a significant opportunity to develop the local and national economy of Kazakhstan in a sustainable manner."

He noted that the venture approach to the development of local content is "systematic and long-term". "As a result, in 2010 the Operator and its Agent Companies spent over US \$900

million (some 130 billion tenge) on local goods and services. More broadly, between 2005 and 2010 the Consortium spent some US \$7 billion on Kazakh goods and services," added Mr. Pekarski.

Anuarbek Jakiyev, Deputy General Director of Tengizchevroil LLP, said: "At the 20 General Meeting of the Foreign Investors Council, ROK President Nursultan Nazarbaev said: "...foreign investors who successfully work in Kazakhstan took efforts to increase local content in investment and operational projects, in human resources and these efforts can be another considerable contribution to development of Kazakhstan economy." One of the key Tengizchevroil priorities is to increase capabilities of the Kazakhstan business. TCO is committed to continue to increase the share of Kazakhstan goods and services to eventually support sustainable development of Kazakhstan and business. We hope this Forum will give a great impetus for development of national suppliers in such important area as manufacturing of various equipment and spare parts."

Facilitators of the event hope that this Forum will stimulate engaging foreign investments as well as domestic capital placement, new technologies transfer, and will give a new pulse to Kazakh content development in oil & gas sector of the Republic of Kazakhstan.



## Launch of the Training & Development intranet site

KPO is pleased to announce the launch of the Training & Development intranet site.

The renewed site presents information about Training & Development activities, including trainings, seminars and professional development opportunities available to KPO employees.

The site is available both in English and Russian.

