



KAZAKHSTAN PETROLEUM ASSOCIATION
WE PROMOTE DEVELOPMENT OF KAZAKHSTAN PETROLEUM INDUSTRY

KPO TO LEAD KAZAKHSTAN PETROLEUM ASSOCIATION

Nurzhan Kamalov, KPO Executive Government Relations and Corporate Affairs Controller, has recently been elected KPA Chairman. This position, which is now held by KPO, will allow the company to be represented at the highest levels in the oil and gas industry in the country. It will also provide opportunities for KPO and its parent companies to solve key issues and coordinate their activities with the Kazakhstan authorised bodies.

Commenting on his nomination, Mr Kamalov said: "I am very pleased to accept this challenging role. KPA is a very efficient and helpful organisation which works for the benefit of Kazakh and foreign oil and gas companies who are doing business here in Kazakhstan. I'm looking forward to contributing to the industry through my new role and I am keen to bring the work of the Association as well as news from the sector to the attention of our members and to the wider world".

2007 was an excellent year for KPO and through the association, we will be able to share this success with our peers. KPO has demonstrated year on year improvements in both safety and environmental performance and it continues to meet its long-term commitments to social investment. In 2007 KPO also set a number of production records which contributed to the company's excellent operational performance.

The Kazakhstan Petroleum Association (KPA) unites 61 companies from 20 countries working in Kazakhstan that are being involved in the exploration and production of hydrocarbons as well as in the service sector for the oil and gas industry of Kazakhstan. KPA opened its representative office in Almaty in 1998.

The main goals of KPA are to facilitate exploration and production activity, share information between member companies and the Government with the view to advancing investment and enhancing the operating climate for

the industry in Kazakhstan and to monitor legislative developments affecting oil and gas industry.

The KPA General Membership makes resolutions regarding the KPA internal structure and policy. Elections of the Board are held at the Annual Meeting for a period of one year from a list of top managers of member companies. Regular meetings of the General Membership are held in Almaty, where important energy issues, recent changes in the finance, tax and environmental legislation affecting subsoil users are discussed. Updates on the committees' activities are also among the agenda items.

The Government Relations Committee holds its sessions in Astana for representatives of the member companies working in the capital of Kazakhstan. The representatives of different agencies and ministries are invited for these meetings to know about the KPA activities and discuss the issues related to the oil and gas sector. KPA organizes annual

receptions in Astana under the support of the committee's members.

Since 2003 the members of the External Affairs Committee organize annual Industry Briefing Seminars for the Kazakhstani media "Overview of the Petroleum Industry". At the seminars various aspects of the oil business are covered, such as: improving technologies and engineering solutions under exploration and production of hydrocarbons onshore and offshore; Kazakhstani legislation in the oil and gas sector; refining, transportation and marketing of oil and gas sector; associate gas utilization; ensuring environmental safety of the activities of the oil and gas companies; mechanism of the implementation of the Extractive Industries Transparency Initiative.

Among the Seminar par-



Participants were journalists from Almaty, Astana, Atyrau, Uralsk and Aktau. Such seminars provide an opportunity for the media and industry corporate affairs representatives to come together.

Nurzhan Kamalov

SAP TO BE LAUNCHED IN KPO

KPO has announced that they plan to introduce SAP in the near future. The newspaper 'Karachaganak News' has contacted Colin Orr Burns, KPO Services Director, and asked him to tell what this is, and what it will mean for KPO.

First of all can you tell us exactly what 'SAP' actually is?

SAP stands for "Systems, Applications and Products in Data Processing". SAP is a German company that over the past three decades has grown to become the third largest software company in the world. SAP provides integrated software solutions for businesses to help them operate more efficiently and allow them to manage their business processes on an integrated, company-wide basis.

What does that mean for KPO in non-technical terms?

KPO has grown over the years in a somewhat piece-meal fashion, as new units have been developed and added. KPO's systems for managing the business have grown in a similar fashion. I am talking about both manual administrative processes as well as our computer software systems. We are now at the point where we are evolving from a 'project' into an 'operational business'. As such we need comprehensive management processes and systems that support the whole business in a coherent and coordinated fashion. At the moment many of our systems, while good, are not interfaced and coordinated. This is inefficient and presents difficulties in managing the business. By replacing many of these systems with SAP we aim to overcome these problems.

Why did you choose SAP?

There are a number of suppliers that provide similar solutions. We choose SAP because it is a world leader and because it is used by our parent companies BG, Eni, Chevron and LUKOIL as well as KMG.

How long will this project take?



Last year we undertook a preliminary scoping study to identify the key areas and systems to be included and to develop a high-level timetable. During the rest of this year we are putting together the project team and engaging consultants to develop the detailed project plan and undertake a more detailed evaluation of systems and processes. The intention is to complete this before the end of the year and then start on the detailed systems design. This will take some time. We aim to complete this work and undertake the necessary training by the end of 2009 to allow us to launch the new system in January 2010.

That seems to be a long time. Why?

This is a very complex project with a huge scope. It will involve people from all over KPO and will fundamentally change the way we do our business. It is important to realise that SAP is not an IT project – it is a business change project. Change is always difficult, and in our company with its size, complexity and rotational shift system, it is particularly challenging.

What will it mean for KPO's employees?

KPO will invest extensively in a SAP training programme for our staff, so this will take some effort and willingness from everyone. Importantly, there is also a great

chance for those who wish to work with the SAP team to develop new skills in a number of areas, not just in the SAP system itself, but in areas such as change management and technical training.

What are the biggest challenges you see in successfully implementing this project?

This is not something that we are going to do to KPO. We need to do it with KPO. That means we need high calibre people from all areas of KPO to come and work with us as part of the SAP team. SAP will introduce new disciplines and will require people to change the way they currently work. Change is never easy, and I expect resistance. We therefore need to bring people along with us rather than try to force it upon people. It will not be easy, but I expect SAP will bring significant benefits for KPO as a whole, which is why it has the total support of the directors and the entire management team, and has been identified as one of our key projects for the next few years.

-Mr Orr Burns, many thanks for this interview. The newspaper "Karachaganak News" wishes you and your staff all the best and good luck with this challenging project.

KPO Services Director Colin Orr Burns



PRESS RELEASE

Chevron Initiates Production From Tengiz Expansion Projects
New facilities expected to significantly increase production from the supergiant field

Chevron Corporation (NYSE:CVX) has announced that its affiliate Tengizchevroil LLP has started up new facilities as part of the first phase of its expansion at the Tengiz Field in Kazakhstan.

This initial expansion of 90,000 barrels per day brings Tengizchevroil's current capacity to a total daily capacity of approximately 400,000 barrels.

Included in the startup is the Sour Gas Injection (SGI) project and the front end of the Second Generation Plant (SGP). SGI reinjects produced sour gas into the reservoir at very high pressures to boost production. SGP was brought up to about one-third of its full capacity and is currently separating and stabilizing crude oil and natural gas. Once fully operational, SGP is designed to also process sour gas into gas products and elemental sulfur.

The addition of full facilities is projected to further increase daily crude production capacity at Tengiz to 540,000 barrels by the second half of 2008.

"The successful startup of the first phase of the expansion is a state-of-the-art technological achievement and a demonstration of our ability to execute next-generation, highly complex projects," said Guy Hollingsworth, president of Chevron Europe, Eurasia and Middle East Exploration and Production.

Once at full operating capacity, approximately one-third of the sour gas produced from the expansion is planned to be injected into the reservoir. The remaining volumes will be processed as commercial gas, propane, butane and sulfur.

"This multibillion-dollar SGI/SGP expansion of the world's deepest producing supergiant oil field is another step forward in partnering with Kazakhstan to develop the full potential of the country's vast energy resources," said Jay Johnson, managing director of Chevron's Eurasia business unit. "We will continue to grow and modernize the country's energy sector and generate economic prosperity."

Chevron has a 50 percent interest in Tengizchevroil. Other partners are KazMunaiGas, 20 percent; ExxonMobil Kazakhstan Ventures Inc., 25 percent; and LUKArco, 5 percent.

Chevron Corporation is one of the world's leading integrated energy companies. We have approximately 58,000 employees and conduct business across the entire energy spectrum – exploring for, producing and transporting crude oil and natural gas; refining, marketing and distributing fuels and other energy products and services; manufacturing and selling petrochemical products; generating power; and developing and commercializing the energy resources of the future, including biofuels and other.

Rig 107 team - two years without LTI

On Monday, 14 January, SaiPar workover rig 107 and its crew successfully completed two years without a Lost Time Incident (LTI) or Total Recordable Incident (TRI)

WEOP and HSE Management Teams visited the rig 107 located on well 145 to congratulate the crew on their excellent safety record.

Presenting the crew with a commemorative plaque as a record of their achievement, Robert Hanson, Operations HSE Manager, said: "This kind of achievement was only possible with a personal commitment to working safely. Drilling is recognised as very dangerous activity and you have

managed to achieve fantastic results in safety and you should be proud of yourself and your colleagues. It's a sign that you are an excellent team and take care of each other".

Andy Swale, Well Operations Manager, and Anthony Hunt, Workover Superintendent also congratulated their colleagues and encouraged them to continue to strive for excellence in operations and safety awareness.

Rig 107 is the second of two heavy workover rigs operating in the Karachaganak field. It commenced operations for KPO with the mobilisation from the Tengiz field where it had been working for Tengizchevroil (TCO). It took 2 months and 100 truck loads to move it a distance of 1,100 kms.

The rig then commenced operations first on well 139D with a plug and abandonment operation. Since then it has also performed



Workover Rig 216 Team

long term suspensions, safety workovers and drilled shallow wells RP-6 and NB-1. In addition to work over operations, rig 107 is also capable of drilling new sidetracks and performing deepening operations from our existing well stock as well as shallow wells although the rig has drilled with 3 1/2" drill pipe to a depth of 5000 metres.

The rig is suitable for working over any well in the Karachaganak

field and it has a hoisting capacity of 350 Tons and 1,500 Horsepower draw works. The rig also has two Gardner Denver PZK-10 Triplex Mud Pumps, each rated at 1,300 Horsepower / 5,000psi. Power for the rig is provided by three Caterpillar series 3512 diesel engines, each rated at 1,400 Horsepower, driving three Kato 1,000 KW generators.



Formation of General Projects Dept and Plant Enhancement Team

KPO Operations Director Antonio Baldassarre recently addressing all KPO employees announced the reorganisation of the Operations Directorate's Engineering & Projects Dept (now the General Projects Dept.) and the related formation of the new Plant Enhancement Team effective 1st January 2008.

The General Projects Dept. will be led by Alan Neil and Rick Elliot, who will continue to report to the Operations Director. The new Plant Enhancement Team, formed from the earlier E&P Plant De-bottlenecking Group, will be led by Sergio Ridenti and Kai Eberspaecher and will now also report directly to the Operations Director.

The objective of the Engineering & Projects Dept reorganisation was to employ best international practices in project organisational structure and flow of work so as to maximise efficiency and effectiveness.



The new General Projects Dept. is fully focused on project definition and implementation, with a matrix structure. The definition and assignment of responsibilities amongst the various Units is now more logical and will result

in improved interfaces both internally and externally. The new organisational structure is also designed to respond dynamically to the ongoing rationalisation of the former E&P Contracts, especially with respect to the major long

term engineering and construction services contracts now being tendered for award within 2008.

The formation of the Plant Enhancement Team was conceived as an integral part of the Engineering & Projects Dept reorganization. Recognizing the need for more robust screening and selection of viable production/reliability improvement and safety projects from the large universe of potential opportunities available, the Plant Enhancement Team will conduct conceptual engineering for CapEx activities relating to existing plants and will therefore replace the current EIR and FTTP processes. PET will act as the primary interface between Operations and Engineering in the Field, identifying and evaluating project opportunities through the option selection stage. Once evaluated and approved, the opportunity will be assigned to the General Projects Dept. for detail Engineering Design and implementation. PET will

also ensure full integration of existing facilities with the larger development projects such as Train 4 and Phase III. The associated new processes are currently being rolled out as part of the Phase 1 of the Operations Management System to all Unit Managers.

Commenting the reorganisation of the Operations Directorate's Engineering & Projects Dept. Antonio Baldassarre congratulated all members of the Engineering & Projects and Plant De-bottlenecking Teams for their past efforts, and asked them to provide full support to help ensure a smooth and successful transition to the new Plant Enhancement and General Projects Departments.

From left to right Sergio Ridenti and Rick Elliot

Gas analyzer Hapsite Smart finds its best application in KPO

One of the most important activities of the KPO Occupational Health and Hygiene Laboratory is the monitoring of hazardous substances in the workplace air. In order to further develop this area of work, a new gas analyzer Hapsite Smart (Inficon Inc, USA) was acquired by the Health Department in 2007. The instrument detects organic gases, or volatile organic compounds, in the air, and also determines their concentrations and dynamics during a specified time.

The Hapsite Smart is a unique instrument with the capacity to identify a wide spectrum of organic gases in a short period of time. Measurements are taken in three consecutive modes of increasing accuracy. The threshold detectable concentration is 0.000001ppm. The device's electronic memory contains the data on more than 125 thousand chemical substances and its library holds the information not only of chemical properties of substances, but also of their effects on the human body.

In November 2007, representatives of Inficon Inc, Dr Timothy Spader and Ofer Saar, conducted a training course for the Occupational Health and Hygiene and Environmental Monitoring Section staff. The training programme consisted of a theoretical course and practical, hands-on, sessions on the use of the instrument.

Dr Timothy Spader, one of the creators of Hapsite Smart, expressed his confidence that the gas analyzer would find its best application in KPO in the Health and Environment monitoring. Ofer Saar, Inficon Inc Sales Director for the Middle East, Africa and Asia, gave a presentation of the company's products.

The Hapsite Smart has been tested and used successfully in Europe, North America, India and the Middle East. It has not been previously used in Kazakhstan and KPO is a proud owner of the only two Hapsite Smart gas analysers in the country. Currently, the KPO Metrology Section is working on the inclusion of the gas analyser in the

Republic of Kazakhstan Certified Instrumentation Register.

The Hapsite Smart provides wider and more detailed analyses of the workplace air composition and will significantly improve the quality of the studies, enhance their accuracy and expedite end results. With a slight modification, this device can be used for detecting and analysing organic compounds in the water and other media.

Arman Junusov, an Occupational Health and Hygiene Specialist said: "Hapsite is a device combining relative simplicity with the data collection capabilities of a research institute. Having become familiar with it, I have reassessed the possibilities for development of our laboratory with regards to workplace air control. It will enable us to get analytical data on the gas composition of the ambient air, which presents unique opportunities for Health Protection."

Occupational Health and Hygiene Technicians Kulaida Baluangalieva and Yelena Smolkova agree that Hapsite Smart



is unbelievably easy to use in field conditions, and yet it possesses a wealth of features from remote control of sampling to satellite navigation.

Nurgul Kuzembaeva, the Occupational Health and Hygiene Laboratory Coordinator, said: "Currently our specialists are developing detailed working procedures for the use of the device

in various spheres of our work. Hapsite Smart will not only enable us to study the air composition, but will also give us invaluable help in the Health Risk Assessment process. Thanks to this instrument we have also gained instant access to associated international data bases, where reference information on the detected chemicals and their health effects can be obtained."