

KPO Celebrates World Environment Day



Roger Fox congratulates Kamila Mendygaliyeva

On 12 June KPO Corporate Environment Department organised an event dedicated to the World Environment Day. Along with KPO top management, the event was attended by the Burlin District Akim (Governor) Bolat Shakimov, Akims and principles of

schools from villages surrounding the Karachaganak field.

Addressing all the attendees Roger Fox, KPO General Director pointed out that World Environment Day is a significant event which is annually celebrated on 5 June in more than 100 countries

worldwide. The main purpose of the celebration is to attract public attention around environmental issues.

Within the framework of this event a number of KPO employees participated in an Environmental logo, photograph and slogan competition and were given awards for their winning submissions.

KPO saw significant improvements in its environmental performance during 2007 and is working hard to improve on this during 2008. Over the last three years emissions have significantly decreased and in 2007 gas utilization was 99.65 percent.

KPO puts emphasis on minimization of any impacts to the environment by implementing the best available technology and international best practice.

Karachaganak's safety and environmental record has been recognised and acknowledged both across the country and worldwide.



World Environment Day at KPO

KAZAKHSTAN GROWTH FORUM

2nd - 4th July 2008, Marriott Grosvenor Square Hotel, London

KAZAKHSTAN GROWTH FORUM IN LONDON

The "Kazakhstan Growth Forum" took place between 2-4 July in London, organised with the support of the Embassy of the Republic of Kazakhstan in the United Kingdom. The annual Forum provides a platform for potential international investors to acquaint themselves with the Republic of Kazakhstan's strategy for investment and transformation of key strategic sectors.

The agenda of the three-day cross-sector forum focused on macroeconomic developments, sector specific activities and global issues affecting the Republic. Investors from a range of sectors attended the forum as well as RoK government officials and representatives from state-run companies and state development institutions.

safety, local content, vendor development, training and development. He pointed out that these areas would be critical to Karachaganak's future success and will form the building blocks for the Project's next development phase.

"Last November, we celebrated the tenth anniversary of the signing of the Final Production Sharing Agreement. Today, Karachaganak is producing at record levels and is the largest gas producing field in Kazakhstan, accounting for some 48% of the country's total gas production and around 18% of total liquids production".

"Achieving this level of output is no small feat and is testament to the solid partnerships which have been nurtured over the past decade. There is little doubt that

reserves will not only provide an important revenue stream, but will also help to diversify the economy through capacity building and skills transfer.

Already there have been some important achievements in terms of Karachaganak's future; namely, the creation of the KazRosGaz joint venture with the Russian Federation and the subsequent signing of a new long-term gas sales agreement. These developments set a solid foundation for the expansion of Karachaganak and they strengthen cross-border relationships bringing tangible benefits to both Russia and Kazakhstan. They are also an excellent example of how KPO seeks to align its business with the Government's objectives to ensure that the development of the Republic's resources provides sustainable advantages for the country as a whole.

The Karachaganak Venture brings expertise and knowledge from four international oil & gas companies – BG Group, ENI, Chevron and LUKOIL who share their experience and expertise with the Republic in looking at both domestic and export options for maximising the value of these resources.

In developing the field to date the Venture has also utilised leading, and in some cases, pioneering technology. For example, Karachaganak is home to an innovative high pressure sour gas injection scheme. This has proven to be very successful in enhancing hydrocarbon recovery and has harnessed significant value for the Republic. KPO has also drilled some of the deepest and most complicated wells in Kazakhstan, with the deepest multilateral well having been executed at Karachaganak.

More recently, KPO conducted flareless well testing at site using technology developed by the UK's Expro Group. This was a first for Karachaganak and a first

for Kazakhstan. It not only brings significant environmental benefits by reducing our greenhouse emissions, but it enhances efficiency and recycles precious hydrocarbons back into the processing stream.

the Republic to be recognised amongst the leaders in oil and gas HSE performance.

Karachaganak was one of the first Ventures to implement a vendor development initiative. During the previous phase of



Trina Fahey talks to Anthony Robinson, Newsdesk Media Group

Enhancing hydrocarbon utilisation and reducing emissions are both key elements of Karachaganak's environmental improvement programme. In 2007, 99.65% of gas KPO produced was utilised in some way – it was either sold, injected or used as fuel. This is a significant improvement on previous years.

KPO's continued environmental performance was also recognised by the Ministry of Environment in 2008 with the granting of a three year Nature Use Permit. These permits are normally only granted on an annual basis and KPO is proud to be the first company in Kazakhstan to be issued with this.

KPO is committed to continuous environmental improvement and is currently working toward ISO 14001 certification for the entire asset. In developing and operating such a technically complex field, environmental protection and safety are critical success factors. KPO's recent performance has helped both Karachaganak and

development, more than 700 Kazakh companies had been contracted by KPO and over the last decade, Kazakh firms have received orders for goods & services totalling over \$2.5 billion. Today, the share of Kazakh participation stands at more than 54% and there are over 2,400 Kazakh vendors currently registered on KPO's supplier database.

In closing, Roger Fox said that there is a tremendous opportunity in front of us.

"Harnessing the value of Karachaganak through the next phase of development, will not only enhance recovery & offer an opportunity to double production, it will provide direct benefits such as employment opportunities, enhanced local capacity and skills transfer. And, it will stimulate more far reaching effects, helping to cement Kazakhstan's position as a competitive economy and a leading global energy supplier".



Mark Karne, BG Group

KPO's delegation headed by General Director Roger Fox also attended the forum along with parent company representatives and senior management from other producers such as GazProm, Total and Shell.

During the forum the General Director of KPO, Roger Fox made a presentation entitled "Harnessing the value of Karachaganak". Roger focused on Karachaganak's history, environmental management,

this has been a highly successful venture. It is from this place we look to the next phase of development – a phase which will significantly enhance recovery, offering the opportunity to double production and deliver even greater value to the Republic".

According to Roger Fox, KPO is acutely aware of President Nazarbaev's vision for Kazakhstan to become one of the top 50 most competitive economies in the world. Continued development of the vast



News Release

NEW APPOINTMENT IN MANAGEMENT TEAM OF BG KAZAKHSTAN

BG Group is pleased to announce the appointment of Peter Dranfield as the President of BG Kazakhstan. He has replaced Lewis Affleck, who has been appointed to lead the BG Group's business in the UK North Sea.

Peter Dranfield is one of BG Group's most experienced leaders having previously been in charge of its businesses in Egypt, Trinidad and Tobago and, most recently, Oman. Peter also worked for BG in Kazakhstan in the 1990s, and therefore brings a wealth of expertise and experience to his new post.

BG Group plc (LSE: BG.L) is a world leader in natural gas, with a strategy focused on connecting competitively-priced resources to specific, high-value markets. Active in 27 countries on five continents, BG Group has a broad portfolio of exploration and production, Liquefied Natural Gas (LNG), transmission and distribution and power generation business interests. It combines a deep understanding of gas



markets with a proven track record in finding and commercialising reserves.

BG Kazakhstan is part of BG Group, a leading international energy company and the largest British investor in Kazakhstan with investments in excess of USD 2.1 billion. BG holds a 32.5% interest in the giant Karachaganak oil and gas condensate field and, along with our partner, ENI, is a joint operator of this field. It is also a 2% shareholder in the Caspian Pipeline Consortium (CPC), which links Kazakhstan's oil reserves to world markets

Karachaganak Football Challenge



The first Karachaganak Football Challenge which took place at the end of June in London was a huge success. Six teams took part in the event which captured players from a host of different nationalities (and great footballing nations!) including England, Spain, Kazakhstan and South America. The Karachaganak team consisted of a strong selection of experienced players. In the interests of fair play the Karachaganak team agreed to sacrifice certain players and field a weakened team to allow the other teams a sporting chance.

The tournament started positively with some great play from Jonathan Alexander and Rustam Akhmetkereev. Unfortunately though, as the game progressed chances were squandered and the Karachaganak team were denied a win by an injury time goal, which would have been given offside in any normal game.

The Karachaganak team pushed forward with their attacking style to almost lose the match in the

dying seconds, but a poor touch from the Microsoft opponents (?) saw the ball spin off the line and away to safety.

After the first game luck was against the Karachaganak team - a mixture of injuries and poor refereeing decisions that went against them.

Throughout the remaining four games there were solid displays from Barnaby Barratt, Chris Holuj, Barry Dyer Paul Reed, Peter Frattura, Juan Vargas and Amir Zaitenov.

After a hard tournament the Karachaganak team will be back next year to claim back the Karachaganak Football Challenge Trophy.

The cup final was contested between Orion and NES, with Orion coming out on top.

RESULTS:

Karachaganak 1 - 1 Microsoft
Karachaganak 0 - 3 Petrofac
Karachaganak 1 - 3 Orion
Karachaganak 0 - 3 NES
Karachaganak 0 - 5 ENI

Putting the environment at the core of our business

On 3 July 2008, presentations on "New Technologies for Emissions Reduction for the Karachaganak field" by Ruslan Mukangaliev, Nature Use Permit (NUP) Manager and "Environmental Communications at KPO" by Zhanar Kazhidenova, Environment Communications Coordinator of the Corporate Environment Department were delivered at the Priuralniy Village Council meeting. The meeting was organised by Kulmanguzhieva Salikha Abdrakhmanovna, Akim of Priuralniy and KPO Corporate Affairs to highlight the environmental achievements of KPO during this year.

KPO gave an overview of the Karachaganak Field at the council meeting. Over the last decade, the company has installed new strategic facilities and infrastructure to meet stringent safety and environment standards. It was also stressed that KPO is highly committed to environmental projects and that company investment into environment protection measures increases annually.

More detailed information was given on the implementation of new environmentally effective technologies at Karachaganak. For instance, KPO is utilising the Megaflow Separator for well testing. This piece of equipment separates drilling fluids so hydrocarbons can be fed back into the production flow line instead of being flared. In addition, the use of the super green burner enables more complete hydrocarbon burning by feeding additional air into a combustion zone. This reduces the emissions of hazardous substances. It must also be noted that the drilling of new multilateral results in a reduction of drilling waste.

At Unit -2 gas is re-injected into the compressors and flash gases generated at Unit-3 are fed back to the process via compressors thereby eliminating flaring.

KPO's commitment to the implementation of an Environmental Management System to meet the international environmental standard - ISO 14001 was also presented. In April 2008, a pre-certification audit was conducted and the final certification audit is expected to take place in August. ISO 14001 demonstrates that KPO is committed to environmental

protection and that we are working towards continuous environmental improvement.

The second part of the presentation covered environmental communication at KPO. A key reason for communication is to promote awareness, ensure mutual understanding, and provide support and consultation while working as a team. Communication of environmental information is integral as the environment affects and concerns all of us. KPO communicates both internally and externally on all environmental matters. Recently, KPO delivered a training and awareness

and we should encourage our family, friends and fellow workers to use these environmental tips, as the proverb says "the voice of one man is the voice of no one" but together, by consolidating efforts we can improve the environmental culture across KPO.

We also want to encourage positive environmental behaviours in young people. In spring, a contest was held to select drawings and paintings on a number of environmental topics among schoolchildren aged 7 -15 from six schools in the Burlin District. This event played an important educational role in teaching the younger generation about the



Mobile monitoring station at KPC

programme to all personnel from operators to senior management on ISO 14001 and environmental issues through computer based training and workshop sessions. Promotional items were distributed to staff and information boards on environmental topics were installed in offices in Aksai, Bolshoi Chagan, Atyrau and the Field to raise awareness of the importance of the environment.

In addition, KPO moved to using paper cups instead of plastic. It will take about one year for a used paper cup to decompose but hundreds of years for a plastic cup. The Company widely communicates environmental messages within the office and home environments. For example, try printing double sided to save paper and don't waste electricity or leave water running. Simple tips like this can and should be used in everyday life to reduce your environmental footprint.

Natural resources are limited

environment and cultivating a caring attitude to nature. Schoolchildren of secondary schools at Priuralniy responded enthusiastically to the contest. Their best entries were framed and placed in the Corporate Environment Department. At the end, it was announced that the Corporate Environment Department plans to hold a new contest this autumn relating to environmental topics among schoolchildren of villages adjacent to Karachaganak oil gas and condensate field. KPO will rely on the cooperation and support of teachers, parents, school principals and the Akims to do this.

Salikha Abdrakhmanovna, Akim of Priuralniy on behalf of villagers thanked KPO employees for the presentation and wished further accomplishments in environmental area. Such meetings are expected to take place in other villages of Burlin District shortly.

Project team success on site

In July the 4th Train and Condensate Rail Loading project team achieved two significant HSE milestones: 2 million man-hours without a Lost Time incident (LTI) at site on construction works and 3 million man-hours without a Lost Time incident (LTI) for the overall project.

KPO management and the newspaper "Karachaganak News" congratulate the Project team and the main contractors who have made a considerable contribution in the delivery of these milestones and wish them all the best and good luck with this challenging project.



Train 4 construction at KPC