

SERVICE PROJECTS

KMG coordinates service projects by maintaining current production levels, implementing new projects, and improving competitiveness as well as takes into account its leading role in maintaining social stability in the regions of its footprint. It should be noted that oilfield services are socially sensitive and sometimes even unprofitable. This inevitably leads to extra costs resulting from the need to retain employees regardless of current operational needs and meet all obligations under the collective bargaining agreement: benefits, medical insurance premiums, and upskilling costs.

SERVICE INFRASTRUCTURE

KMG's oil service operations are supported by 11 key companies.

Key oil services

- Drilling and developing oil and gas wells
- Providing well services and workovers
- Transporting freight and passengers, providing field transportation and maintenance
- Providing maintenance, repair, set-up, and testing services for electrical installations and cathode protection; commissioning and routine servicing of electrical equipment
- Operating offshore and onshore drilling rigs, oil and gas production engineering, drilling services
- Servicing measuring equipment, automation systems, and telemechanics, providing telecoms, radio, and cable or satellite TV services at oil fields; checking and repairing measuring equipment; and servicing security alarms
- Servicing transport GPS monitoring systems
- Building steel and fiberglass pipelines for oil transportation, building gas pipelines, and constructing oil and injection wells
- Reconstructing oil pipelines, water pipelines, and roads

- Producing and transporting drinking water, ensuring sea water transport
- Catering, maintaining social facilities, etc.

To maintain the current production levels, KMG holds annual activities aimed at ensuring efficient production, improving working conditions, and upgrading fixed assets. In 2021, service tariffs for some oilfield service subsidiaries and associates were increased, for example, for Oil Services Company LLP for drilling at Kalamkas and Zhetybai fields, well workover, and servicing as well as for Oil Transport Corporation LLP for provision of vehicles and special equipment.

Development projects

To implement the Government's Regulation On Approval of the Comprehensive Plan of Social and Economic Development of Zhanaozen, the Mangystau Region, for 2019–2025, KMG is implementing the project on construction of a gas processing plant in Zhanaozen. The project is important for KMG due to the risk of complete shutdown of existing KazGPZ in the result of high wear and operation of the process equipment in excess of industry norms, which will entail complete shutdown

of oil and gas extraction facilities of the subsoil users supplying gas for processing, shortage of commercial (dry) gas and liquefied petroleum gas (LPG). The new gas processing plant is to be completed in 2024.

On 12 August 2021, Caspian Drilling Company Ltd. (CDC) held a ceremony at its marine logistics base to celebrate successful upgrade of a jack-up floating drilling rig and its putting to sea to commence drilling at the Azerbaijan sector of the Caspian Sea. On 15 August 2021, the rig was installed at the first well, NKX-01, of SWAP structure, and successful drilling operations are in progress.

Satti jack-up floating drilling rig is the first drilling rig built entirely in Kazakhstan according to the world standards. On 25 January 2019, KMG and SOCAR State Oil Company of the Azerbaijan Republic signed the Memorandum of Understanding as well as Joint Venture Agreement on the rig operation to perform drilling at Absheron structure, Azerbaijan sector of the Caspian

THE UPGRADED RIG CAPACITY INCREASE

FROM **453**
TO **680** TONNES



Sea, operated by British Petroleum. The upgraded rig capacity increased from 453 to 680 tonnes.

Implementation of the project will improve KMG's competitiveness, provide the opportunity to become one of the offshore drilling leaders, and raise professional qualification of the operational staff according to the global criteria.

To maintain and develop oilfield services in 2022 and beyond, KMG has defined the following strategic initiatives for improving the service quality that will contribute to oil production ramp-up:

- Building an efficient target portfolio of oilfield services
- Making oilfield service companies breakeven

Various measures are required to achieve these objectives, including business process automation, implementation of allocation metering, improvement of production process efficiency, API Q1 and Q2 certification.