
Chevron in Kazakhstan

15 years of proven success

Approaching another important milestone in the company's history -15 years of its successful operations in Kazakhstan, Chevron is proud to be an industry leader and is excited to celebrate this significant anniversary with the people of Kazakhstan. Chevron ranks as the leading private oil producer in Kazakhstan and currently holds stakes in the country's two largest producing oil fields: Tengiz and Karachaganak. Chevron is also the largest private shareholder in the Caspian Pipeline Consortium.

Our vision

One of the foundations for Chevron's long-term success is Chevron Way. It is based on the vision to be the global energy company most admired for its people, partnership and performance.

Our vision means we:

- provide energy products vital to sustainable economic progress and human development throughout the world;
- are people and an organization with superior capabilities and commitment;
- are the partner of choice;
- deliver world-class performance;
- earn the admiration of all our stakeholders - investors, customers, host governments, local communities and our employees -not only for the goals we achieve but how we achieve them.

Chevron is the first and the largest foreign investor in Kazakhstan

With the formation of the Tengizchevroil (TCO) partnership in 1993, the company became the first major Western oil firm to enter the region. The Tengiz and Korolev fields within the TCO partnership are estimated to contain between six billion to nine billion barrels of recoverable oil. Chevron has a 50 percent share in TCO. In 2006, TCO's production averaged 316,000 barrels of oil and gas liquids per day, and 443 million cubic feet of natural gas per day (or 14,1 million metric tons of oil and LPG, and 4.65 billion cubic meters of natural gas per year). TCO is currently implementing the Sour Gas Injection/Second Generation Project (SGI/SGP), with first oil expected in late 2007. Production will increase to 460-550 thousand barrels a day in 2008.

Karachaganak (operated by Karachaganak Petroleum Operating [KPO]) is one of the world's largest oil & gas fields. Chevron has a 20 percent share in the Karachaganak field - estimated to initially contain up to 1600

million tons of oil-in-place and 1620 billion cubic meters of natural gas-in-place. During 2006, KPO achieved production levels of 200,000 barrels per day of stabilized oil (or 6.8 million tons of stabilized and 2.8 million tons of unstabilized condensate) and 753 million cubic feet per day (or 7.8 billion cubic meters) of gas (net of reinjection).

In late 2001, the company and its partners opened the \$2.6 billion, 1,505-kilometer (935-mile) Caspian Pipeline Consortium (CPC) pipeline from the Tengiz Field in Western Kazakhstan to the Black Sea port of Novorossiysk in Russia. Today, the CPC pipeline transports almost 40% of Kazakhstan's crude to world export markets. According to industry experts, CPC's pipeline system is safe and technologically advanced and has strong health, environmental and safety performance.

CPC has 11 transportation agreements in place and transported an average of 664,000 barrels of crude oil per day in 2006, including 519,000 barrels per day from the Caspian region and 145,000 barrels per day from Russia (or 31,1 million tons of oil per year). A planned expansion of the CPC pipeline is under discussion by the pipeline shareholders. This expansion is anticipated to increase capacity to 1.4 million barrels per day (or 67 million tons of oil per year).

A separate 24-inch, 644 kilometer (400-mile) pipeline that links Karachaganak field to the CPC system at Atyrau began operations in 2003.

In April 2003 Chevron opened \$24 million polyethylene pipe plant in Atyrau, Kazakhstan - the first such enterprise in the region. The plant with the state-of-the-art equipment and innovative technologies can produce 15,000 tons per year of high-density polyethylene pipe. Pipes are used for transportation of potable water, natural gas and have 50 years of guaranteed service life. An accredited test laboratory is functioning at the plant. Production of fittings - offsets and T-connectors - is well-run at the plant. The plant represents implementation of the Program of local economic development and import substitution initiatives, as well as transfer of technologies, business and technical training.

Chevron's polyethylene pipe plant quality management system was successfully certified for conformance to requirements of the International Standard ISO9001:2000 in the following certification systems: State Certification System of RoK (KK.648092.07.03.00111); Certification System „Russian Register” (#04.087.026); International Certification Organization IQNet (N° 04.087.026); International Certification Organization SAI Global (#4.087.026). In 2007 products of the plant were awarded by the inter-

national award „European Quality”. The prestigious award was provided by European Business Assembly (EBA, Oxford, United Kingdom). Chevron- and Texaco-branded lubricants are marketed throughout Eurasia region.

Chevron's over \$9 billion investment in the country, leading edge technologies and highly experienced people, combined with Kazakhstan's stable political environment, economic reforms and educated workforce, made a sturdy foundation for an outstanding partnership.

Operational Excellence: People, Safety, Environment

Protecting people and the environment is one of Chevron's core values, and worldwide, we consistently conduct our business adhering to this commitment. This commitment is fully shared by our joint venture and affiliate companies.

Since its formation in 1993 Tengizchevroil JV has been and remains committed to protecting people and the environment. The joint venture is successfully and safely developing the Tengiz and Korolev fields strictly in compliance with Republic of Kazakhstan laws and regulations. All TCO activities support its strategic intent of being a leader in safety and environmental performance.

In the past 8 years TCO has spent approximately \$1.2 billion dollars in environmental related activity, and will continue to proactively work to protect the environment.

TCO's efforts to continue the reduction of overall emissions are progressing and include the implementation of the Gas Utilization Program, replacement of the crude oil storage tanks, and the Associated Crude Project. Upon successful completion of these key projects, TCO expects to achieve an additional reduction of 20,000 tons (35%) in annual emissions. Our 2006 year end emission metric was 4.17 kg of emissions/ton of crude produced which was better than our target of 4.24 kg/ton. And TCO's 2007 results through July were even better at 3.61 kg/ton of crude.

The total volume of gas flared in 2006 was 424.7 million m³. This represents a reduction of over 76% from the volume flared in the year 2000. The volume of flared gas in 2007 through July is 191 million m³ which is on track to result in the lowest annual flare volume in TCO's history this year.

Total sulfur sales in 2006 reached 1.65 million metric tons. This was the largest amount of sulfur sold in TCO's history. In 2006, there was a net reduction in the total volume of sulfur stored on the pads of over 88,000 tons. In 2007, TCO will bring online 2 additional sulfur forming units with an additional processing capacity of 800 thousand metric tons. The 2007 business plan objectives are to further increase sulfur sales by aggressively developing new markets and adding more forming capacity. TCO is implementing the Sulfur Expansion Project which will increase the ability to de-block the sulfur and will increase our overall sales capacity to 125% of production.

Over the past years, KPO has invested over \$100 million in various environmental projects. Every effort is

taken to protect biodiversity at the field and, in so doing, create and enhance habitats that promote the area's natural flora and fauna.

Water and air quality is continually monitored, and risk assessments are carried out for both current and future developments and plans are developed to initiate mitigation measures.

Waste management is an integral part of project development. To reduce waste efficiently, KPO has built a Waste Management Complex, which accepts, treats and disposes of all the industrial waste produced in the field.

All the equipment installed at the facilities meets international environmental standards. For example, the generators at the power station at the Karachaganak Processing Complex are equipped with a state-of-the-art dry combustion system, which makes it one of the most environmentally-friendly power stations in the world.

Another critical element is safety which is closely monitored and measured at all Chevron operations. In 2006, TCO's employees and contractors achieved a world-class baseline Days-Away-From-Work-Rate of 0.031 per 200,000 hours worked.

From the very first days of operation the staff of Atyrau Polyethylene Pipe Plant works without days away from work injuries. The plant employees keep on demonstrating excellent results thanks to continuous safety training and weekly safety audits. In June 2007 the indicator comprised over 460 thousand man-hours or more than 4 years of incident-free work.

In 2007 the Atyrau Polyethylene Pipe Plant adopted BBS or Behavior-Based Safety to further reinforce Chevron's commitment to incident-free operations. BBS assumes the process where the observer observes the behavior of other people, reinforces their safety behaviors, discusses any at-risk behaviors and ways to eliminate at-risk behaviors and then records the results of the observation on the observation form. The goal of Behavior-Based Safety is to engage every employee in creating an injury-free environment.

Along with many other international oil companies involved in the transportation of oil and oil products in the Black Sea and Caspian Sea,

Chevron, through the jointly formed organization, OSPRI, is actively working with the governments and agencies of the littoral states and the International Maritime Organization to develop sustained, regional oil-spill response capability.

Training and Development

As a company, Chevron is committed to building national workforces in our host countries. For example, Chevron's Polyethylene Pipe Plant is entirely managed and staffed by Kazakhstan! citizens. We have created about 130 local jobs including 65 employees.

In TCO 81 percent of staff and contractors are citizens of Kazakhstan compared to 50 percent in 1993. A steadily growing number of Kazakh citizens are assuming management positions. Kazakhs today make up 71 percent of managerial, supervisory and specialist positions. Kazakhstani citizens are now an integral and growing part of the management structure.

TCO regularly sends high potential employees on developmental assignments outside of Kazakhstan (such as the US, UK, Angola, Thailand, etc). Currently, around 20 Kazakh employees are working outside of Kazakhstan on assignments with Chevron.

Chevron and its affiliate companies pay special attention to working closely with contractors and suppliers, and training and development of contract personnel is important. For example, over 5000 Kazakhstani nationals have been trained at the Atyrau SGI/ SGP Craft Training Center (now CTR) for safe and efficient work at construction sites.

Making Local Economies Stronger

Chevron believes our suppliers and contractors should reflect the customers, communities and markets we serve. Purchasing goods and services from locally owned firms contributes to economic and human capacity development. Many of our operating units offer training, forums and other services to support and build local businesses. In Kazakhstan, Chevron is particularly proud of its efforts to increase the utilization of local goods and services. For example, our joint venture Tengizchevroil's target for purchasing Kazakh goods and services in 2006 was \$600 million. At year-end, TCO spent over \$1 billion. TCO's target for 2007 is \$997 million. The magnitude of this achievement becomes clear when you consider that purchases of Kazakh goods and services in 1993 were only \$25 million.

According to the recent analysis, a total of \$1 billion has been expended with Kazakhstani suppliers and vendors since the start of the Sour Gas Injection / Second Generation Project in 2002. Expenditures of approximately \$1.1 billion are currently estimated at project completion. To date, over 3,200 purchase orders have been committed with more than 300 Kazakhstani vendors and more than 100 contracts have been awarded to locally owned companies

TCO regularly holds Supplier Forums bringing Kazakh Government representatives, Kazakh suppliers, western suppliers, and TCO management together to discuss current issues, TCO requirements, and ways to increase local spending with Kazakh companies. KPO has made every effort to maximise, where possible, the role of Kazakhstani companies in the project. In fact, KPO achieved 57 percent in 2006. To date, the total sum of contracts awarded to Kazakhstan! vendors has exceeded \$1.7 billion.

Community Partners

Chevron's community engagement activities focus on building capacity to promote local economic development and stable, long-term relationships. Chevron invests in community engagement initiatives and focuses on building human and institutional capacity in ways that help stimulate economic growth and enable communities to prosper.

Our community engagement initiatives targeted three areas: basic human needs, education and career training, and support for local small and medium-size businesses, which includes access to credit. These initiatives were executed in partnership with local and national governments, communities, nongovernmental organizations and multilateral institutions.

In 1993 TCO's started a five-year, \$50 million Atyrau Bonus Fund which sponsored social infrastructure projects such as health clinics, a local bakery, a boiler plant and new homes for flood victims. In 1999, TCO launched the new program „Egilik” (Kazakh for „benefit”) to carry on the community outreach programs. By the end of 2006, the „Egilik” program provided more than \$60 million to meet community health, education and social infrastructure needs, such as hospitals, university buildings, schools, gasification and power lines, upgrade of water supply systems, resurface of roads and the beautification of buildings within the Atyrau and Zhylyoi district (where Tengiz field is located).

In 2007 year TCO supported medical institutions of Atyrau region with expensive medicines saving the lives of pre-mature newborns and equipment to chemically purify water to keep hemodialysis machines safely functioning.

KPO annually invests \$10 million in the development of social infrastructure in Western Kazakhstan. For the period of 1998 to 2006 KPO constructed nine health institutions, eight educational institutions, six sports and culture facilities. In addition, gasification program covered eighteen villages, major improvements in heating and water supply systems were made in Uralsk and Aksai. KPO community engagement program is aimed to support different community development projects such as „Foster care”, „Baiterek” and „Red Apple” programs to find homes to orphans, empower disabled children and educate youth. One of most successful projects in the area of small business development is business center and incubator in Burlinskii district. Main objective of the project is business education of entrepreneurs and farmers, provision of access to loans and low-rent facilities. Marketing, legal and business planning consultations were made available for its clients. Chevron's community engagement program is a tangible expression of The Chevron Way. As part of the efforts to promote economic development, Chevron established a business incubation facility in Atyrau. The Atyrau business incubator provides a favorable environment for small businesses and start-ups. This joint project, supported by the United Nations Development Program,