

## 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 a socially sensitive sector. As some oilfield services are 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.

- servicing transport GPS monitoring systems;
- building steel and fibreglass 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.

### Service infrastructure

KMG's service operations are supported by 10 key companies.

Key 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, cable or satellite TV services at oil fields; checking and repairing measuring equipment; and servicing security alarms;

### Development projects

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 signed the Memorandum of Understanding as well as Joint Venture Agreement on the rig operation to perform drilling at Apsheron structure, Azerbaijan sector of the Caspian Sea, operated by BP. 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, 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.

To achieve these objectives, various activities are required, including automation of business processes, implementation of segregated accounting, initiatives to ensure high levels of staff competence, building an effective industrial relations system, increasing the efficiency of processes, API Q1 and Q2 certification.

As part of implementing the IR action plan in the Samruk-Kazyna Group, IR teams/departments were established in all oilfield service subsidiaries from the beginning of 2022 and, accordingly, employees responsible for the development of industrial relations were appointed by service subsidiaries and associates and by contractors. The aim of industrial relations is to maintain a favourable working environment with zero tolerance for adverse social and living conditions and all forms of workplace violence, and develop internal communications and effective interaction with contractors. During the reporting year, scheduled workplace, accommodation and catering audits of contractors were carried out and IR screenings were conducted. Remedial action plans were drawn up and implemented. Throughout the reporting year, IR specialists together with top managers met with contractors' employees to address their issues and concerns in order to stabilise the social situation and dampen the protest mood among contractors' employees.

Certification to API Specification Q2 for oilfield service assets is designed to raise the quality of oilfield service to the level of compliance with the best and accepted practices of API international standards for the oil and gas industry. Work was carried out to implement and adapt the requirements of the API Spec Q2 and an application for certification was submitted.

### Subsidiaries and associates rendering oilfield services and prepared for certification:

- Oil Services Company;
- Oil Construction Company;
- MangistauEnergMunay;
- OzenMunayService.

### Implementation period:

- 2022–2026.

### New projects

#### Desalination plant construction

The project of seawater desalination plant is being implemented in accordance with the Nationwide Action Plan and with the Comprehensive Plan of Socio-economic Development of Mangistau Region for 2021–2025. The purpose of the project is to provide Zhanaozen with fresh water for domestic and industrial use and reduce the load on the Astrakhan–Mangyshlak main water pipeline. The planned design capacity of the plant is 50.000 m<sup>3</sup> per day. The desalination plant construction forms an integral part of the comprehensive water supply project for Western Kazakhstan. The decision to implement the project was taken after reviewing the concept of reconstructing and expanding the main water pipeline to cover water shortages by 2025.

Given the expected population growth and applicable standards, the population of Zhanaozen will consume about 49.8 thous. m<sup>3</sup> per day by 2030.

#### Progress update:

On 7 June 2023, an EPC contract for the construction of infrastructure worth of KZT 60.2 bln, including VAT (water pipeline to Zhanaozen, gas pipeline, power transmission line, fibre optic communication line, road, etc.) was concluded with KMG Group's oilfield service companies. On 23 August 2023, an EPC contract for the construction of a desalination plant worth of KZT 57.8 bln, including VAT, was signed with a consortium led by Metito LLC (together with Akzhol Kurylys LLP, Caspian HES Consulting LLP, SMK-Atameken LLP). Construction and installation works are underway and are planned to be completed in due time, by the end of December 2024.

The plant is expected to reach its design capacity between January and May 2025.

