

OIL PRODUCTS PRODUCTION

In 2019, oil product output increased by 429 thous. tonnes, or 6.9% year-on-year, to 6,614 thous. tonnes due to improved feedstock blending at the Petromidia Refinery and higher demand in the market.

OIL PRODUCTS PRODUCTION (NET TO KMG), THOUS. TONNES



Petromidia’s refining margin, calculated as the difference between the Urals prices and prices for refined oil products (petrol, diesel fuel, naphtha, liquefied petroleum gas, jet fuel, fuel oil, propylene, sulphur, and oil coke), was USD 4.2 per barrel in 2019, which is USD 2 per barrel lower year-on-year (reflecting the global oil prices).

Petromidia refining margin

	2017	2018	2019
Petromidia refining margin, USD per tonne	48.8	47.4	31.7
Petromidia refining margin, USD per barrel ¹	6.4	6.2	4.2

In 2019, crude oil volumes for resale marketed through KMG International’s trading operations totalled 10.9 mln tonnes.

CRUDE OIL FOR RESALE, THOUS. TONNES



KMG INTERNATIONAL'S RETAIL NETWORK

At the end of 2019, KMG International’s retail network consisted of 271 gas stations and 693 points of sales across Romania, and 244 gas stations and points of sales elsewhere.

- Romania: 271 gas stations and 693 points of sales (DOEX, RBI and Cuves). The share of the retail market is 16%
- Neighboring countries: 244 gas stations and points of sales. Bulgaria – 56 (retail market share 3%), Georgia – 101 (market share 19.5%), Moldova – 87 DOCO gas stations (market share 24%).

Retail sales (retail and trading) of oil products produced by KMG International increased by 5.5% year-on-year to 3,450 thous. tonnes driven by an increase in the sales of diesel fuel (+ 13%), petrol (+ 11%), and jet fuel (+ 19%).

¹. To convert tonnes to bbl a conversion rate of 7.6 was used.

SERVICE PROJECTS

To deliver their optimisation programmes, KMG’s oil service companies consider their leading role in maintaining social stability in operating regions. 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. The number of employees decreases through natural turnover.

SERVICE INFRASTRUCTURE

KMG’s oil service operations are supported by 14 key companies.

- Drilling and developing oil and gas wells. Providing out 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
- Natural gas processing
- 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.

DEVELOPMENT PROJECTS

KMG is contributing to the social and economic development of Zhanaozen in the Mangystau Region, by building a new gas processing plant in the area.

JSC KazMunayGas and Linde Aktiengesellschaft (Linde AG), a German multinational chemical company, signed a Memorandum of Understanding to cooperate in production, technology transfer, training and sharing experience in natural and associated gas utilisation and processing in Kazakhstan. Based on the Memorandum, the two parties are discussing potential cooperation to build a gas processing plant in Zhanaozen. Work is being undertaken to develop a pre-feasibility study, and agree the project parameters, as well as the terms of joint operation.

Munaitelcom LLP started to produce, sell and install low-voltage control cabinets and ultrasonic flowmeters for high-pressure liquids. It also arranged on-the-job training for KMG Group using VR technologies. Work is underway to integrate companies in the Mangystau Region into a single network for secure data sharing. The company received industrial certification for this business.

Oil Services Company LLP has piloted a lean production project, with the aim of increasing the company's financial stability and creating a positive and highly productive work environment. The company is rolling out tablets and Wellreport software to create a single database of wells, automate daily reports and collect and store data on drilling crew activities, well workovers and services. In addition, the company is revamping and upgrading hoist units and drilling rigs to ensure uninterrupted and safe well drilling and servicing.

Oil Construction Company LLP has registered in ALASH, a unified vendor database to manage interactions between suppliers and operators in Kazakhstan (Karachaganak Petroleum Operating B.V., North Caspian Operating Company N.V.). This will expand the geography of its services. The company also implemented a project management framework and plans to introduce cost-control, working to expand its business in constructing new tanks.

To ensure reliable power supply and safe operation of oil field facility electrical installations, Mangistauenergomunai LLP introduced a dispatch control system and an automated system of electric power technical record-keeping at the Kalamkas and Zhetybai fields while ensuring uninterrupted operation of a gas turbine electric power plant at the Kalamkas field equipped with unique innovative technology. The company also produces asynchronous electric motors up to 10 kW and conducts energy audits and then provides energy services.

KMG Drilling&Services and the Caspian Drilling Company signed a trusteeship agreement to transfer the Satti jack-up drilling rig to the Caspian Drilling Company for modification and further operation on subsoil use projects within the Azerbaijan sector of the Caspian Sea. Modification is in progress, with the start of operation expected before the end of 2020.

The modified jack-up drilling rig will have increased lifting capacity, additional equipment and more spacious living quarters to allow safe and high-performance well drilling to depths of over 6,000 m. This will also improve the competitiveness of the rig in the drilling services market of the Caspian Sea and allow us to participate in many offshore projects in Azerbaijan, Turkmenistan, and Kazakhstan.

Support Service Vehicles and Well Servicing Division LLP signed a new three-year contract with TOTAL to provide well services at the Dunga field with the option to extend for up to two years.

TenizService LLP fully completed the construction and installation operations and commissioned the final stage facilities of the Cargo Transportation Route Project intended to receive, tranship and transport cargo for the Future Growth Project at the Tengiz field. During 2018–2019, 322 outsized cargoes with a total weight of about 182 thous. tonnes were transshipped.