

IMPLEMENTATION OF INTRACORPORATE IMPROVEMENT PROJECTS

THE KEY TOOL FOR INTRODUCING CHANGES WITHIN THE COMPANY IS A SYSTEM FOR IMPROVING PROJECT IMPLEMENTATION SYSTEM THAT HAS BEEN TRIED AND TESTED THROUGH MANY YEARS OF EXPERIENCE.

The portfolio of improvement projects in Zarubezhneft JSC has been formed since 2013, expanding its perimeter, and today it has already completed 115 projects (taking into account technological development projects, or TDP).

Annually in the beginning of the year, a project pool is created and vectors for further development of the Company are determined following the results of the Strategic Management Session, annual KPI defense, and adopting decisions on distribution of successful projects. In 2019, the project portfolio was specified and ranked taking into account four strategic focuses aimed at successful implementation

of the second stage of the Strategy, and included 66 change projects:

- 24 projects were included in 4 strategic focuses, 8 of them were successfully completed in 2019;
- 42 projects were aimed at supporting existing processes and systems; 21 were completed in 2019.

At all stages of the change projects life cycle, there is:

- Monthly monitoring and reporting of draft revisions;
- Expert support for projects, including encouraging participation of external experts and those of the subsidiaries;
- Polling/feedback for qualitative evaluation and results validation.

Key innovations of 2019

UPDATED PROJECTS CLASSIFICATION

As part implementing the Company's Strategic Objectives, four key focuses were identified: Expansion, Technological Leadership, Corporate Evolution, and Talent Management. Since 2019, special attention has been paid to projects entered or initiated as part of the strategic focuses. Projects continuing from last year were classified as additional initiatives aimed to support the existing processes and systems.

Key results of improvement projects and technology development projects

Technology development projects

Elaboration of PRE-FEED for subsea production system of Block 12/11

The project goal is to increase the economic performance of gas field development at Block 12/11.

Achievements:

- PRE-FEED is done as per the Technical Assignment;
- The final report on the PRE-FEED elaboration for the maximum permissible concentration (MPC) of Block 12/11 was adopted by the Council for Science and Engineering (CSE);
- An alternative concept for arranging facilities at Block 12/11 using the MPC was developed;
- The project team carried out an express evaluation of the project's economic performance, taking into account the costs of the PRE-FEED with the MPC.

Elaboration of concepts on involvement of Block 09-1 marginal sites in the development

The project goal is to suggest technical and process measures for cost-efficient development of low-margin/marginal fields/sites of JV Vietsovpetro.

Achievements:

- The resource base of Block 09-1 marginal sites was analyzed, productivity of previously drilled exploration wells and their technical condition were evaluated;
- Prospectivity of additional drilling at the marginal sites was evaluated. Development and sites arrangement options have been generated;
- The proposals on involving Block 09-1 marginal sites in the development were approved by the Company's Council for Science and Engineering.

Expansion of the resource base of JV Vietsovpetro's Block 09-1 based on new 3D/4C drilling and seismic data

The project goal is to use new data on 3D/4C seismic and exploration drilling results to search for new satellite deposits available at the fields of Block 09-1.

Achievements:

- The Concept of the program for systemic expansion of the vertical seismic profiling (VSP) resource base has been developed;
- About 100 hydrocarbon traps with a total of 160 MM tons of P50 resources were prepared for terrigenous deposits of Lower Miocene (LM), Upper Miocene (UM) and Lower Oligocene (LO);
- The new 3D/4C seismic data and use of neural networks made it possible to substantially refine the fault-block structure of the basement and to distinguish decompression zones based on new attributes. 33 areas of keen interest on the basement were identified and 5 traps with a total of 13.5 MM tons of resources were prepared;
- According to the 3D/4C seismic data, 23 facilities were prepared within Block 09-1, both for development of existing deposits and for individual facilities. Ranking by volume of resources and by geological efficiency was performed.

Implementation of the target information telemetry program "well repair" at Zarubezhneft-Dobycha Kharyaga facilities

The project goal is to improve performance of operational management regarding well development, maintenance and workover (DMW). The production time factor was achieved by the DMW teams in 2019 at a rate of not less than 0.95.

Achievements:

- The DMW planning package was introduced;
- An accounting and reporting package was introduced;
- The DMW analysis and management package was introduced;
- Industrial operation of the Well Repair Telemetry Information System (WRT IS) started;
- Based on the system functioning results, a 51% decrease in idle time was recorded, the accident rate was reduced by 45%, and process flow disruptions were reduced from 46 to 36 hours.

Improvement projects

Fast track

The project goal is to apply a combination of organizational and informational measures at the same time as we perfect workflow algorithms and queries between the Corporate Center and the subsidiaries, with a view to reducing the degree of formalism. Identification and elimination of TOP destructors at all reporting levels, reduction of excessive document workflow.

Achievements:

- Labor costs of development and approval of documents and for routine operations was reduced by 30%;
- The amount of ancillary documents in the total process workflow was reduced by 15%;
- The number of reports was reduced by 25%;
- The qualitative evaluation of the process IT systems was strengthened to ensure consistency of information and the absence of gaps and duplicate data entries.

Automation of business processes using bpm class it systems

The project goal is to build a pilot end-to-end process within a unified IT system.

Achievements of the investment process automation:

- The proportion of non-automated operations was reduced by 40%;
- Labor costs were reduced by 50%;
- All documents are generated by the BPM system;
- Increased transparency and implemented online monitoring of the progress;
- The necessary analytics and automated calculation of indicators for each process node were received;
- The possibility to build an end-to-end process between the Corporate Center and the subsidiaries has been ensured.

Legally relevant electronic document workflow

The project goal is to reduce paperwork when executing contracts, improve performance and cut labor costs, and optimize access and storage of original documents.

Achievements:

- The period of a contract approval and signing was reduced from 11 days to 3;
- Transition to electronic document workflow between the Group enterprises was achieved;
- The procedure for access and storage of original documents was optimized.

Manager's work standard (MWS)

The project goal is to create a uniform operational procedure for managers of different levels and ensure integrity and coherence of managerial actions in all the Company units.

Achievements:

- A series of Application of practices in the Corporate Center and the subsidiaries were supervised;
- Annual enquiry on the MWS application was carried out;
- The growth of the integrated practices application index was 14%;
- The growth in the quality of the practices application was 9%;
- The action plan for the MWS implementation in the Corporate Center and the subsidiaries was fully executed.