



NEW HORIZONS

SALYM PETROLEUM DEVELOPMENT N.V.

№8

January 2008

SALYM PETROLEUM



**PROMOTING SAFETY:
A COMMON GOAL**
(see page 2)

ANOTHER SUCCESSFUL YEAR

SALYM PETROLEUM DEVELOPMENT (SPD) COMPLETED THE FIRST STAGE OF SALYM PROJECT (THE DEVELOPMENT OF THE SALYM GROUP OF OIL FIELDS IN KHANTY-MANSI AUTONOMOUS OKRUG) UNDER THE BEST TEAM – BEST PROJECT SLOGAN, REFLECTING THE MAIN CHALLENGE OF THE FIRST STAGE: ACCELERATED CONSTRUCTION AND COMMISSIONING OF KEY INFRASTRUCTURE FACILITIES.

That challenge had been successfully met by SPD, and since 2007 it has new tasks facing it in a new phase of its development and a new slogan: Best Team – Best Operator. The main focus of the company now is optimizing field operations and ramping up production. SPD had to address a challenging target of doubling production from the 2006 level when it produced 2.056 million tons.

There is a comprehensive program in place to drill and commission new wells. The program was developed by SPD jointly with contractors (SSK, KCA Deutag, Schlumberger, Halliburton, BK-Eurasia, and Integra) that conduct well drilling and servicing operations. As in previous years, the cooperation has brought good results. During the year, more than 100 new wells and 291 thousand meters were drilled.

New wells have driven production volumes. The daily production of 64

thousand barrels in early January grew almost two-fold to 112 thousand barrels at the end of 2007. Overall, more than 30 million barrels (approximately 4.3 million tons) were produced from the three Salym fields (West Salym, Upper Salym and Vadelyp) during 2007, well above the plan.

There was continued effort to develop the infrastructure of the Salym fields. Several important facilities were added during the year. The Ops Base was built in West Salym complete with an office building, two new residential buildings for rotational personnel, warehouses and other auxiliary facilities. The second train of the central processing facility was completed, raising overall CPF capacity to 6 million tons of oil per year, which is sufficient to process the increasing production volumes. A modular pumping station to maintain formation pressure was commissioned in Upper Salym.

An important environmental facility, the first stage of the industrial and household waste polygon was completed in 2007. The polygon will accumulate and later process drilling wastes and contaminated soil, and will compost and bury household waste.

A 45 MW gas-turbine power plant that has been completed in West Salym will make an important environmental contribution by utilizing flared gas. Most construction, installation and commissioning work on the PGP was done in 2007. In early 2008, the first kilowatts of own SPD power went into the power supply system of the Salym oil fields.

The year 2007 is now history. That was another year of Salym project dynamic development and successful work of SPD that made another step towards its new goal of becoming the best operator in West Siberia.

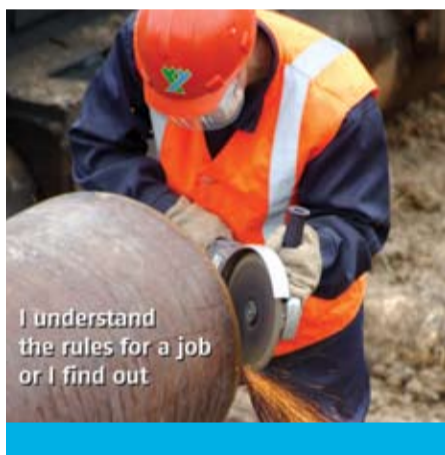
DAILY PRODUCTION GROWING

In the middle of October 2007, Salym Petroleum Development N.V. (SPD) reached the daily production target of 100 thousand barrels (14 thousand tons) of oil from the West Salym, Upper Salym and Vadelyp fields, more than a month ahead of the plan. "SPD has doubled its daily production from 50 thousand to 100 thousand barrels in just 16 months," said SPD CEO Harry Brekelmans. "These figures show that the development of the Salym group of fields is really dynamic. Reaching the milestone of 100 thousand barrels per day is an important achievement for the Salym project that has been made possible by high qualifications and commitment of SPD and contractor personnel and the support from the administration of Khanty-Mansi Autonomous Okrug". In December 2007, SPD achieved another milestone: total oil production in Salym exceeded 112 thousand barrels (about 15.5 thousand tons) per day.



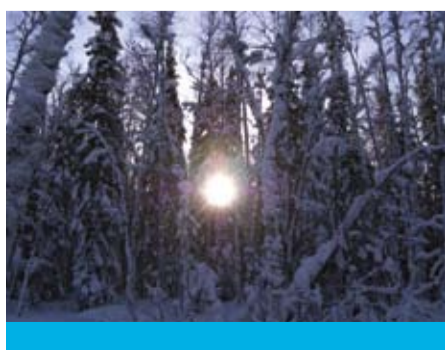
SPD GOAL ZERO HEROES

At the end of 2007, SPD started a new Individual Award Program to recognise pro-active behaviour contributing to improved health, safety, security or environment. The main award of the Program is the SPD Goal Zero Hero, an honorary title given every month for outstanding achievement in this area. The winners are selected by the management team. Every employee of SPD can nominate a colleague (including those employed by contractors) for compliance with SPD Golden Rules and contribution to the company's Goal Zero principles: working with no harm to people and the environment. The nomination forms are available at a special page in the corporate Intranet site. Twenty employees of SPD and contractor organizations have already been awarded this honorary title. The title goes with a monetary bonus and will soon be complemented with a badge and diploma. The photos of the laureates are displayed in the production areas and offices.



AN EXAMPLE TO BE FOLLOWED

Two SPD employees have shown an example of vigilance, civic responsibility and courage in an extreme situation, says a letter from the Surgut militia department for railways, river and air transport addressed to SPD. On October 10, 2007, interpreter Denis Gusev and engineer Nikolai Kozhevnikov were on an overnight train to Tyumen when a thief broke into their compartment and tried to steal their personal effects. The noise woke up Denis who tried to stop the thief. After a struggle, he managed to subdue the man. Gusev and Kozhevnikov detained the suspect and seized three mobile phones stolen from a neighboring compartment. The militia letter commends the two SPD employees for stopping the suspect who had been accused of theft in the past. 'These men have helped militia in our effort to combat crime, and should be respected and commended for what they did', says the letter.



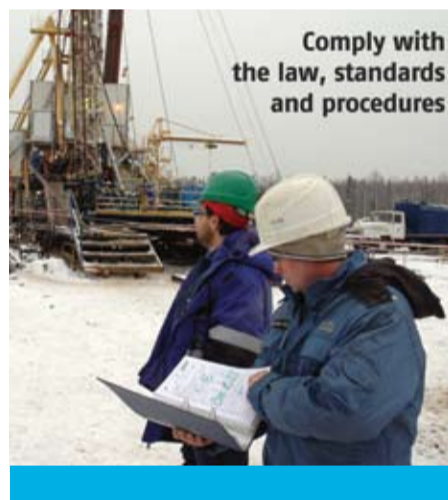
PROMOTING SAFETY: COMMON GOAL

MORE THAN 800 SPD AND 1200 CONTRACTOR PERSONNEL WORK AT THE SALYM PROJECT. THEY PERFORM DIFFERENT DUTIES FOR THE COMMON GOAL OF DEVELOPING THE SALYM GROUP OF OILFIELDS WITH HIGH HEALTH, SAFETY AND ENVIRONMENTAL STANDARDS.

What do we need to work safely, with minimum damage to the health of the people and the environment? That was the main question of a meeting in Moscow on December 18, 2007 between the management and specialists of SPD and leading contractor companies working at the Salym project.

In his opening speech, SPD CEO Harry Brekelmans said that the meeting was not intended to teach anybody. The main purpose of the meeting was to exchange opinions and jointly think of how to improve safety culture and make the slogan Goal Zero a reality.

What does Goal Zero mean? This brief formula embodies the high standard set by SPD: no harm to people and the environment in our operations.



This is not a one-off campaign that would last only a limited period of time. Work without accidents or significant incidents should become a permanent operating principle of the company.

It is not an easy task to reach Goal Zero. But everything is in place to make that happen. SPD has created a comprehensive system for the protection of health, labor and the environment based on a combination of Russian regulations and international best practices and standards.

The system works and yields good results. SPD's keynote presentation devoted to the status of labor and industrial safety highlighted the following milestone: in 2007, work without lost-time incidents reached 220 days or more than 4 million man-hours! This is an impressive achievement showing that constant effort, production discipline, compliance with rules and policies create a guaranteed safety base. By contrast, if people are indifferent, complacent, and violate or ignore rules of safe behavior, that results in serious incidents harming people and damaging the



image of the Company and its contractors.

Is it possible to completely wipe away industrial and road accidents? What are the obstacles that have to be overcome? What has to be changed and improved in safety procedures and processes? Participants broke into five groups to engage in heated arguments on these and other topics. Each group presented its common ideas. During the discussion, a whole range of obstacles were identified: the rules and instructions are sometimes too complex, midlevel managers do not always give sufficient focus to safety issues, insufficient support is given to contractors.



But the main conclusion of the participants was that Goal Zero was realistic and achievable. Reaching that task would require considerable efforts from SPD and contractor companies alike. All parties should reinforce the safety training process and change the mindsets of their employees to consciously follow labor and industrial safety rules and lead safe lifestyles. In the final run, people's attitudes, training and knowledge, or what can be called a "safety culture", plays the main role. Motivational systems and incentives for meeting safety targets are also important.

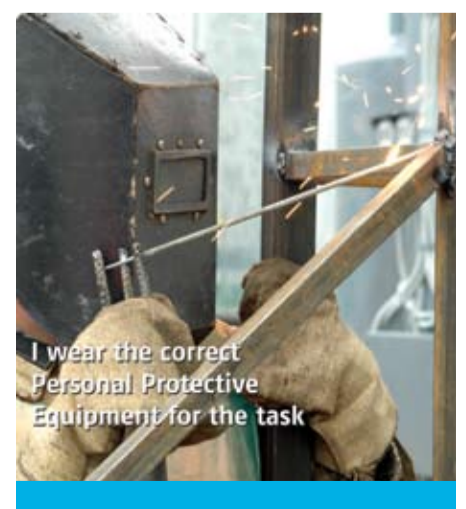
In addition, existing and new mechanisms and methods to control safety compliance should be upgraded and im-

plemented, especially where road safety is concerned. Frank Denelle, VP Technical of Shell EP Russia, made a presentation on the safety best practices of Shell operational companies throughout the world, from Russia to African and Asian countries.

In particular, the presentation described a specific project of implementing a road control system. The system monitors speed, engine rpms, frequency of braking and other road parameters in real time. When the effects of the system were checked six months after implementation, it showed a marked reduction in the frequency of traffic rule violations. This practice can as well be implemented by SPD whose operations rely heavily on road transport. In 2007, the total distance covered by all vehicles used in the Salym development exceeded 17 million kilometers. That fact was underscored by the safety meeting in Moscow as well: in its final resolution, the meeting emphasized road safety as a priority area.

The final resolution of SPD management and contractor staff stressed their commitment to reach the Goal Zero target, emphasizing safety culture, behaviors and motivation of the personnel, and raising the competences and training standards as the main sources of improvement. Sub-contractor management, more attention to safety from line managers and contract holders, proper planning and consistency in target setting were also mentioned as important safety factors.

These are the guidelines SPD and contractors should follow to reach the Goal Zero target of no accidents and significant incidents. The participants in the meeting on December 18, 2007 agreed to meet regularly every quarter to discuss the status of implementing those targets, existing problems and potential solutions. It is not going to be easy to reach those targets, but, as they say, a journey of thousand miles begins from a single step.



GIVING THE OLD IDEA A NEW LEASE OF LIFE

NEW IDEAS ARE NOT ALWAYS ACCEPTED IMMEDIATELY AFTER BIRTH. WHETHER FOR PERSONAL REASONS OR THROUGH THE WORKINGS OF CIRCUMSTANCES, NEW IDEAS AND TECHNOLOGIES OFTEN STAY UNNOTICED FOR LONG PERIODS OF TIME. HOWEVER, LIFE MOVES ON AND CREATES NEW OPPORTUNITIES WHERE SUCH IDEAS CAN BE IMPLEMENTED.

This seems to be the case with the Y-tool, a Y-shaped by-pass device used to lower logging equipment into the wellbore. It allows to run logging tools past the ESP to carry out production logging operations without the need to pull the completion. The idea was first voiced a long time ago – back in the 1970s, but had not transformed into a commercial technology. One reason was additional costs required to use larger casing strings to give room for both the logging tool and the electrical submersible pump (ESP).

With time, oil production companies gradually started to use the Y-tool, so has SPD in its operations at the Salym fields. Before making the choice, the company studied other options for production logging operations: placing the tool into the pump assembly and logging under pressure. However, those other options proved less attractive in terms of safety and efficiency.

SPD is now one of the few oil production companies that uses the Y-

tool in a 7" casing. The whole process from the design stage has been coordinated by the well services department, including the selection of an optimum size of the ESP and by-pass system to allow for the operation of modern logging equipment.

The first Y-tool assembly was installed in a J-shaped well in West Salym last July. The task included the removal of the plug and running a logging tool on a wireline in a 50° well and was successfully accomplished. The logging tool was placed under the ESP to allow for the well logging operation irrespective of the status of the ESP.



Flow rates in different perforation intervals and other valuable geophysical information will now be collected for production optimization and enhanced recovery plans. The solution also helps comply with the Technological Schema that requires that flow rates be recorded in all reference wells.

At this point in time, 7 wells in West Salym and Vadelyp have been completed using the Y-tool technology, and more are coming. SPD has contracted a company to improve the design of the Y-shaped by-pass tool, giving that old idea a new lease of life.

SELECTING A FUTURE PROFESSION

MOST PEOPLE SELECT THEIR FUTURE PROFESSION WHEN STILL AT HIGH SCHOOL. THE DECISION COULD BE INFLUENCED BY MANY FACTORS: YOUNG PEOPLE MAY BE GUIDED BY THE ADVICE OF THEIR PARENTS OR FOLLOW THE IDEAS OF THEIR FRIENDS OR MAKE THEIR DECISION BASED ON INFORMATION THEY RECEIVE FROM BOOKS, MOVIES, TV OR THE INTERNET. ONE THING IS CLEAR: ACCURATE AND COMPREHENSIVE INFORMATION IS VERY IMPORTANT FOR A YOUNG PERSON TO MAKE AN INFORMED DECISION AND AVOID MAKING MISTAKES THAT WOULD LAST INTO THEIR FUTURE.

To help schoolchildren select a profession, the Nefteyugansk branch of the Fund for the Support of Entrepreneurship in Yugra and Salym Petroleum Development organized a contest called Entrepreneurship and Career Today for students of secondary schools of Salym. More than 50 students from grades 6 – 11 participated in the contest.

To participate, the students had to present their views on the role of career and entrepreneurship in modern life and have their plans in career development. They had an option of presenting their ideas in prose or verse (Literary Creativity category), in a painting (Visual Arts category) or even in the form of articles made of wood or other natural materials (Applied Arts category). In another category, Select a profession, the participants answered a questionnaire devoted to one of the professions from a list defined by SPD.

All students received diplomas for participating. The winners in each category also got valuable presents, and the ones who won in the Literary Creativity, Visual Arts and Applied Arts categories were invited to participate in a three-day training devoted to the development of business and communication skills

conducted by specialized company Wilson Learning and financed by SPD.

"The training allowed all of us to learn many new things," says Denis Poltavtsev, student of School No 1. "We were taught how to communicate in different situations, including stressful ones, to engage in a business discussion, make public presentations and plan our time in a rational way. We learned such concepts as 'task filter', 'time-eaters' and many other interesting things".

The Entrepreneurship and Career Today also offered a one-day visit to the SPD production facilities at the Salym oil fields for the winners in Select a Profession category. 8 people qualified who chose

the following specialties: accountant, environmental specialist, architect/construction engineer, oil production engineer, translator and programmer.

The schoolchildren spent a day at the field, and met with people in their chosen professions who told them about the company's operations, production facilities and the peculiarities of the professions the students were interested in. Time will show whether the children are going to pursue their choices when they grow up. But there is no doubt that the things they heard and saw during the visit to SPD operations site will help them make a better choice of a future profession.



CHAIKA (SEAGULL) THEATRE FESTIVAL

The Chaika Theatre Festival is an important event in the cultural calendar of Khanty-Mansi Autonomous Okrug attracting troupes from Moscow and other cities of Russia.

The sixth such festival took place in Khanty-Mansiysk in November 2007. The festival allows the public to get acquainted with the latest in the Russian theatrical art and get to see the work of prominent Russian directors and actors. For the first time this year, graduates from theatrical schools performed along with professional actors.

Since its inception, the Chaika Theatre Festival has been sponsored by oil companies operating in Khanty-Mansi Autonomous Okrug. Salym Petroleum Development has been sponsoring the event since 2005.



CHESS WORLD CUP KHANDY-MANSIYSK

The capital of Khanty-Mansi Autonomous Okrug was also the center of world chess on November 24 – December 17, 2007 when it hosted the 2nd Chess World Cup. The tournament attracted 128 top Grand Masters from 47 countries of the world. Russia was represented by 23 chess players, including four from KhMAO. American Grand Master Gata Kamsky won the tournament. Khanty-Mansiysk will be the venue of other major chess events in the coming years: it will host the World Cup in 2009 and Chess Olympics in 2010.

Salym Petroleum Development supports the development of chess in the region, and has co-sponsored the Chess World Cup two times. SPD also provides financial support for the Anatoli Karpov International Chess Tournament in the Poykovsky village of Nefteyugansk district.



THE BEST SPORTING FAMILY

The Sporting Tyumen – 2007 festival took place in Tyumen's Philharmonic Hall on December 19, 2007. The event completed the annual competition of healthy lifestyles and contest among companies for promoting health and sports within their organizations. This year, winners were selected in 19 categories. The top prize in the Best Sporting Family category went to the Amori family. Gerome Amori, a senior geologist with the Tyumen's office of Salym Petroleum Development, arrived in Tyumen from Belgium in 2005 and now lives there with his wife and three kids. The Amori family actively participated in the city Health Days, the Tyumen Marathon competition and the family sports contest called Dad, Mom and I Are a Sporting Family.



PEDESTRIAN BRIDGE IN SALYM RESTORED

In October 2007, the bridge over rail tracks in Salym was restored and opened after a long period when it was closed by a prosecutor's office because of poor condition. Salym Petroleum Development financed the repairs. The contractor had been selected by a tender process. The winner, the Midash Company from Salym, performed the work to reinforce structural elements and repair seams, steps and barristers. People now can easily and safely cross over the rail tracks in Salym.



COMPANY AND PEOPLE

YOU SEE SEVERAL DOZEN PHOTOS OF ADULTS AND THE PICTURES OF THE SAME PEOPLE WHEN THEY WERE 5 YEARS OLD. TRY TO GUESS WHO'S WHO! THAT WAS THE TASK FOR THE PARTICIPANTS IN THE "GUESS WHO?" COMPETITION THAT TOOK PLACE ON THE EVE OF THE NEW YEAR AMONG SPD PERSONNEL. IT WAS WORTH A TRY: THE WINNER GOT A WEEK'S TOUR FOR TWO TO EGYPT, AND RUNNERS-UP WERE GIVEN VALUABLE PRIZES. IN TODAY'S COMPANY AND PEOPLE, THE LAUREATES OF THE PHOTO COMPETITION INTRODUCE THEMSELVES AND DESCRIBE THEIR WORK AND HOBBIES.

The participants say it was an exciting event that filled them with a sense of adventure and many emotions: enjoy hitting the right answer, compete with colleagues and get your share of disappointment when you miss. To become a prize-winner, one had to demonstrate intuition, power of observation and outstanding analytical skills. Considering that the podium was occupied by women, it seems that those qualities are more common in the fair sex.



The winner of the photo competition
TATYANA PANCHETOVSKAYA.

"That was a wonderful contest! Maybe it's in my character: I like this sort of quizzes and riddles, and it was nice to see the photos of children! I believe that the contest brought together active, high-spirited, sympathetic and sporty people. The game was a real treat and allowed me to get acquainted with my colleagues who work in other offices.

I was born in Tyumen. After graduation from high school, I went to Sydney where I completed a 3-year course in business management in a local business college. Life in Australia was very interesting. I met with many people of different nationalities, acquired my first work experience and made many friends. That period that I spent away from my family was very important, because it was a real school of life that made me independent. Returning to Russia, I graduated from the Tyumen Institute of Culture and received my second degree as an English translator.

I joined SPD in 2003 when it opened an office in Tyumen. I was a secretary, translator, administrator of a project group and then became an office manager in Tyumen. Before joining SPD, I worked as a translator with Tri Ocean Term Ltd.

My main hobbies are my work and family. I love interacting with people, I love the English language and things associated with it, and I love travelling. With my husband we have also developed a family hobby: Russian billiards. In April 2008, we are expecting our second son. The first one was born in April 2005. Last year, I enrolled at the Tyumen Oil and Gas University to get another degree: economics and finance in the fuel and energy business.

I lead an active lifestyle, and my life and work are filled with many interesting events and activities. I love the people with whom I work and believe that SPD is one of the best companies in our city.

The last time my husband and I travelled together, it was to Greece, a beautiful and most interesting country. But I prefer exotic countries in the southeast, like Thailand, where I would be happy to visit again. Even so, Brazil remains the country of my dreams!"



The second place in the contest went to
ALBINA KROMINA.

TI was born in Moscow, graduated from the Moscow Institute of Radio Technology, Electronics and Automation and then got a second degree in the Moscow Academy of Economics and Law. Last year, I passed training and got a diploma of a certified accountant. I joined SPD quite recently, in February 2007, and work as an accountant in the sales division. Before joining SPD, I was an accountant with communications company Alcatel, but I believe that working in an oil production company is a lot more interesting and challenging.

My work takes most of my time, and what remains of it I like to spend with my family and kids. I have three: the older daughter is now 17, and the younger twins are 10. I also like travelling. Last year my family and I visited Egypt and brought back many impressions, especially the Red Sea with its arrays of different fish and very beautiful corals.

I thank the organizers of the contest for the excitement and emotions that it brought!



The third place was taken by
ANNA LOBACHEVA.

"I was born in Central Asia, in the city of Frunze. There, I completed a course in managing organizations at the Academy of Finance and Economics. I also got a degree from the International Institute of Business and Management in Moscow. SPD is my first employer. I joined the company in 2003 immediately after graduation, when I returned to my second home city of Nefteyugansk. I remain loyal to the company and the chosen specialty until this day. My first position with SPD was an accountant for cash flows and banking transactions, afterwards I worked as an accountant for expense reports in the Nefteyugansk office of the company. In 2005, I was transferred to the Tyumen office and slightly changed my duties to do the accounts of capital construction projects in power supply.

The work is an integral part of my life. Surely, business comes before pleasure. But for pleasure, I love to ski, my favorite sport. I also like skating and team sports that are good for their team spirit and allow me to stay fit. Although I like winter sports, I prefer going on holiday to warmer countries. I spent my last vacation in Bali, a great place for a getaway. The ocean mesmerizes you with its power and beauty. Nature seems to have done its best creating that piece of paradise!

They say that winning is not the main thing, and I agree. Participating in the 'Guess Who?' contest gave us lots of positive emotions. That was a brilliant idea, and many people enjoyed the fun. And the wonderful prize of a free trip to Egypt fuelled the action with real competitive zeal!"

Salym Petroleum New Horizons

Salym Petroleum Development N.V.

Moscow representative office:
31, Novinsky Bldv., Moscow
123242, Russian Federation,
tel. (+7 495) 518 9720, fax (+7 495) 518 9722

Registration Number 019450

Printrun: 2 000

Design and Print: Infocus Media

Signed to print: 14.02.2008

© Salym Petroleum New Horizons
All rights reserved.

www.salypetroleum.ru