

SOCAR



2014 ANNUAL REPORT OF THE SOCAR

B A K U 2015

OIL STRATEGY IS A FOUNDATION OF ECONOMIC POWER OF AZERBAIJAN



Oil and gas industry which is considered as a backbone of our economy rapidly ascending through successfully implemented projects within the framework of comprehensive energy strategy founded by national leader of Azerbaijan, Heydar Aliyev and succeeded by President of Azerbaijan, His Excellency Ilham Aliyev. The successes of oil and gas industry empowers our economy as well as contributes to the strengthening our international position.

Azerbaijan has been at the roots of oil and gas industry. For the centuries the most advanced developments in exploration, production, refining and transportation of oil and gas have been developed by Baku oilmen. The overwhelming success of our oil and gas strategy has established Azerbaijan not only as the ancient and pioneer oil country, but at the same time as a rich, reliable and safe supplier of natural gas. Currently, Azerbaijan is an exporter of natural gas from Caspian gas fields to Georgia, Turkey, Russia and Iran. Soon this list will be expanded with new customer countries. Southern Gas Corridor, one of the most important projects of this decade, launched in September of last year will play an important role in providing energy security of Europe. It will also contribute to expanding of natural gas export potential of Azerbaijan as well as diversification of energy routes. Azerbaijan is proud to lead such a landmark project.

The new chapter in a rich oil and gas history of Azerbaijan is marked with the development of giant Shah-deniz field. President of Azerbaijan, Ilham Aliyev has marked it as a project of 21st century. In line with expansion project, 2nd phase development will allow to double the production, ramping up the annual production from current 9 bcm adding up additional 16 bcm. Out of additional volumes of gas, 10 bcm will be supplied to Europe and remaining 6 bcm will be landed in Turkey. The delivery of first gas to Turkey is scheduled by 2018. The expansion project will include most advanced subsea technologies in Caspian Sea basin and construction of 3 500 km of pipeline network connecting Azerbaijan with Europe.

Nevertheless, Southern Gas Corridor supply base is not limited to Shahdeniz-2 project only. This is important, but only first link of the future development chain. We can confidently forecast to reach 40 bcm annual export volumes from Azerbaijan by 2025, majority of which can be supplied to European market. Naturally, such large export volumes requires relevant transportation infrastructure capable of expansion and safe delivery of such a large export volumes. Southern Gas Corridor, which has attracted significant international interest, is exactly this kind of project.

South Caucasus Pipeline (SCP), export pipeline to Georgia and Turkey through Baku-Tbilisi-Erzurum route, an important link of energy security in our region and is a starting point for the corridor. This pipeline is already operational with annual capacity of 20 bcm. Expansion of SCP will be the next step in continuing activities to expand its transportation capacity.

The next important and connecting link of Southern Gas Corridor is TANAP – Trans-Anatolian Pipeline, groundbreaking with participation of President of Azerbaijan, Ilham Aliyev and President of Turkey, Recep Tayyip Erdogan. Annual capacity of TANAP is planned at 16 bcm/year with further expansion

option up to 30 bcm/year. Considering this expansion capacity, TANAP can also carry the natural gas from so called “second wave” fields from Azerbaijan, as well as from Central Asia, Middle East and Eastern Mediterranean sources and deliver to Europe through Southern Gas Corridor.



The next link of Southern Gas Corridor is TAP – Trans-Adriatic Pipeline. 871 km long TAP will connect to TANAP and Greece-Turkey border and will land in Italy passing through Greece, Albania and seabed of Adriatic Sea. TAP will also open opportunity for other Caspian Sea suppliers to deliver natural gas volumes to large consumers of Europe. Initial capacity of pipeline is planned at 10 bcm/year. TAP Consortium considers an option to double the capacity of pipeline via building it large diameter pipes.

SOCAR also increases exploration, drilling and production indicators on year to year basis. We can confidently declare that energy security of Azerbaijan has been secured firmly. The priority item on our agenda is to increase the production of natural gas. The discoveries of Umid field (2010) and Absheron (2011) has strengthened energy security of Azerbaijan. We are relentlessly continuing the exploration works of other perspective structures as well. On a positive note, it needs a mention that, we are revitalizing brownfields as well. Great example of that is recent productive well at Bulla-deniz field. It indicates that increasing production from brownfields contributes to increasing energy production. New drilling rig is successfully deployed in this field planned to drill 4 new wells.

The works carried out at the refinery complex are aimed at meeting the country's demand for petroleum products as well as minimizing the negative impact on the environment. The yield of light oil products in the refinery complex in 2014 was 65.5%, and oil refining depth was 93.2%. Oil Refinery Plant named after Heydar Aliyev and "Azerkimya" Production Union launched new projects aimed at modernization of technological equipment, increase of production capacity and improving ecological environment. In addition to using existing opportunities, preparation works are under way for construction of new oil and gas processing and petrochemical complex. All undertaken work ensures successful completion of these projects that have particular importance in terms of increasing the quality of oil and gas processing and petrochemical products produced by SOCAR and improving ecological situation in Baku and Sumgait.

Turkish "Petkim" petrochemical holding is managed by SOCAR for several years. During these years "Petkim" reached record levels of production, revenue, profit and export. The Holding achieved successful results in 2014. Company's assets and the volume of export to 45 countries have increased. Production capacity increased by 13% due to new investments. In 2011, foundation of "STAR" oil refinery with an annual production capacity of 10 million tons was laid with participation of Azerbaijani President Ilham Aliyev and Turkish Prime Minister Recep Tayyip Erdogan. It is Turkey's largest investment project carried out by the private sector. With the start of production at "STAR" plant which was chosen "Oil and Gas Project of the Year" in Europe in 2014, Turkey will save billions of dollars on imported products and SOCAR will take additional profit in large volume by selling refined products.

In April this year, "SOCAR Polymer" LLC and Italian "Maire Tecnimont SpA" Engineering Group signed a cooperation agreement on the construction of the polypropylene plant within the framework of

Sumgait chemical industrial park project. Engineering, procurement, installation and construction works are to be done in the framework of the project. The polypropylene plant with an annual capacity of 180 thousand tons will make it possible to use propylene derived from naphtha cracking as a raw material. Construction of this facility that will be the first polypropylene plant in Azerbaijan will allow production of polypropylene and high density polyethylene that are currently imported from foreign countries.

According to the "State Program on reliable provision of population with food products in 2008-2015" approved by the corresponding Decree of the President of the Republic of Azerbaijan", construction of nitrogen fertilizer – carbamide plant meeting international standards is continuing successfully. Carbamide plant foundation of which was laid by the President Ilham Aliyev is expected to produce 1,200 tons of ammonia and 2,000 tonnes of urea per day. Natural gas will be used as a main raw material. Construction of the plant is to be completed by the end of 2016 in the framework of the contract with "Samsung Engineering Co. Ltd". With the implementation of this project, SOCAR will provide significant support to the development of agriculture – one of the key sectors of the country's economy.

After the inclusion of "Azerigaz" Production Union into the structure of SOCAR according to the President Ilham Aliyev's decree, large amounts of work have been done for renewing the country's gas supply system, ensuring constant gas supply to the population and industry. Efforts for building gas supply system of Baku, surrounding towns and villages meeting international standards were accelerated. As a result of constant and reliable supply of natural gas to consumers by "Azerigaz" Production Union, as well as efforts aimed at further expansion of the subscriber base, the number of subscribers of gas across the country has reached 1 million 757 thousand.

Today the business reputation of SOCAR is rising continuously, its international position is getting stronger. Achievements and successful activities of the company in Turkey, Switzerland, Georgia, Ukraine, Romania and in other countries assure us that, this development will continue in the future. SOCAR is already known well as a company which follows its obligations in international finance institutions on time and properly. Corporate rating of the company is estimated as stable by the three biggest rating companies. One of the achievements is issuing eurobonds using new financial instruments for attracting investments from international capital markets.

In the company there have been purposeful and constant work towards personnel training. Every year tens of students are sent to different higher education institutions within the framework of foreign scholarship program of the company and the ones who graduate and return to the country are appointed to proper jobs in our offices and enterprises. Despite this, the continuous development of the company increases the demand for new employees. For meeting this demand, structuring study process based on new study plans and technologies and for training highly qualified experts, with the proper order of the Republic of Azerbaijan, within the structure of SOCAR new Baku Higher Oil School is established and this institution has formed close relationships and effective cooperations with leading education and study centers worldwide in the oil and gas sector.

In our country large-scale state programs and projects with huge financial capacities are realized for saving the environment and ecological balance. State Oil Company is one of the leading organizations in this regard. Ecology park created in oil-polluted lands of OGPU named after H.Z. Taghiyev is serving successfully. The Park aims increasing green belts, growing tree and bushes and decorative plants which can adapt to climate of the country, creating a collection of endangered and rare plant species for normalization of ecological situation in Absheron Peninsula. Energy supply of the park is provided by alternate energy sources. Here, four wind generators with total capacity of 10 kvt/hour and solar panels with total capacity of 20 kvt/hour are constructed. Ecology park plays an important role in educating the young generation in the spirit of careful attitude towards the environment and embodies the reality of priority social task for all citizens of the country.

SOCAR is developing constantly, is broadening its scope and is being internationally important company. Modern management, experienced and initiative personnel, dynamic activities lead the State Oil Company to new achievements.

Rovnag Abdullayev
President of SOCAR

I. ORGANISATIONAL STRUCTURE of the SOCAR

At the date of December 31, 2014, the organizational structure of SOCAR is as follows:



* SOCAR's direct subordinate organizations not having the status of legal entity

II. JOINT VENTURES, OPERATING COMPANIES AND ALLIANCES FOUNDED BY SOCAR AND FOREIGN COMPANIES

The following joint SOCAR and foreign company projects were implemented in 2014:

JOINT VENTURES:

I. Oil and gas production:

1. "AzGerneft" JV

II. Joint venture on insurance:

1. "Ateshgah" Insurance Company

III. Joint ventures on drilling:

1. Azeri Drilling Company LLC
2. Caspian Drilling Company
3. "SOCAR-AQSh" LLC
4. SOCAR- Umid" LLC
5. "SOCAR-Construction" LLC
6. Azerbaijan Rigs LLC

IV. Joint venture on laboratory works:

1. "AzLab" JSC JV

V. Joint venture on barytes and drilling mud:

1. Azeri-MI Drilling Fluids JC

VI. Construction sector activities:

1. "AzFen" JV
2. "BosShelf" LLC
3. "Caspian Shipyard Plant" LLC
4. "Caspian Shipyard Company" LLC
5. SOCAR - Cape LLC
6. Sarmatia LLC
7. SOCAR-CNG LLC

VII. Oil outburst refining works activitie:

1. "EKOL Engineering Services" CJSC
2. SOCAR- Baglan LLC

VIII. Information sector:

1. "Interfax-Azerbaijan" LLC

IX. Joint venture on geophysical surveys:

1. Caspian Geophysical Company LLC
2. SOCAR-Fugro LLC

X. Joint venture on require of the oil and gas equipment:

1. "Oil and Gas ProServ" LLC
2. "SOCAR - KPSH" LLC

XI. Joint venture on Transport Works:

1. Cross Caspian and Gas Logistics LLC

XII. Oil and gas refining and Marketing:

1. SOCAR Energy Georgia LLC
2. SOCAR-Turkey Energy AC

3. SOCAR –Petroleum CJSC
4. SOCAR – Gas Export-import LTD

XIII. Oil transferring:

1. Carlina Overseas Corporation
2. SOCAR Trading Holding

XIV. Joint venture on Pipe Coating services:

1. Caspian Pipe Coatings LLC

XV. Engineering and design works:

1. SOCAR Foster Viler Engineering Services LTD

XVI. Pipelines sector:

1. Southern Gas Corridor

XVII. Nitrogen fertilizer production:

1. SOCAR Georgia Investments

XVIII. Petrochemical production:

1. SOCAR Polymer LTD

ALLIANCES:

I. Logistics:

1. SOCAR HC Heavy Crane

II. Drilling sector:

1. SOCAR Maersk

III. Communications sector:

1. SOCAR-Optilan

IV. Pipe Coating services:

1. SOCAR-SCNBV

V. International cargo transportation

1. SOCAR-TPG

OPERATING COMPANIES:

1. Azerbaijan International Operating Company (AIOC)
2. "BP (Shahdaniz) OC
3. "Salyan Oil" OC
4. "Karasu" OC
5. "Gobustan" OC
6. "Binagadi" Oil Company
7. "Surakhani Oil" OC S.A.
8. "Petro-HongKong-Pirshat Oil Limited" Oil Company
9. "Balakhani" OC
10. "Kura Valley" OC
11. "Absheron" OC
12. "Shirvan" OC
13. "Neftchala" OC
14. "Bahar" OC
15. BP "Shafaq-Asiman" BV

16. Total E&P Absheron BV

Operating on the pipeline transport companies:

1. BTC Co. LLC
2. South Caspian Pipeline LLC



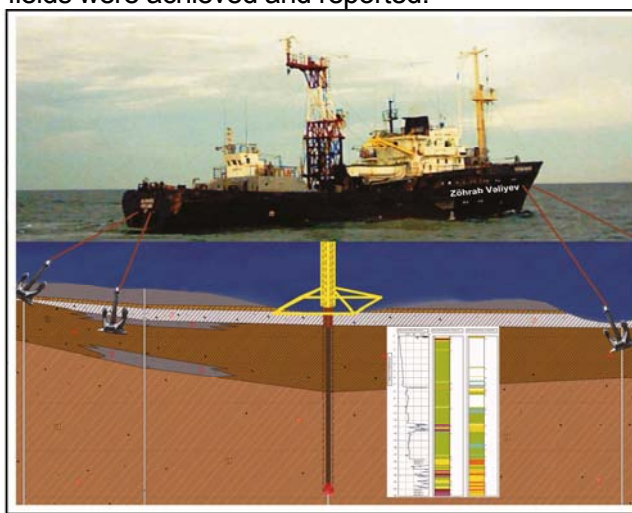
III. GEOPHYSICAL AND GEOLOGICAL WORKS

1. Geophysical works

Offshore and onshore geophysical and geotechnical works were performed by Geophysics and Geology Department of SOCAR in 2014.

1.1 Geophysical prospecting works. "Prospect Geophysics" Production Section of Geophysics and Geology Department carried out 145 km² 3D seismic and 343 linear km 2D seismic, 348 linear km gravimetric, 343 linear km magnetometric and 761 meter (2303 physical point) microseismic logging works in 34 wells throughout the year.

Alongside with these works, totally data such as 103 km² 3D seismic, 9485 linear km 2D seismic, 761 meter microseismic logging works in 34 wells and 348 linear km gravimetric, 343 linear km magnetometric data were processed and 1778 km² 3D seismic, 15831 linear km 2D seismic, 583 linear km gravimetric, 565 linear km magnetometric data were interpreted and so, 465529 traces were digitalized for 675 profiles and basic geological outcomes on 7 fields were achieved and reported.



3D seismic field surveys by "Prospect Geophysics" Production Section were conducted to the extent of 42 km² in Goshadash area of Absheron OGR at offshore field and to the extent of 103 km² in Gazanbulag-Ziyadkhan area of Ganja OGR at onshore field under the order of "Azneft" PU.

2D seismic field surveys by "Prospect Geophysics" Production Section were conducted to the extent of 176 linear km in Gadisu-Sitalchay area of Caspian-Guba OGR, 167 linear km in "Ceyilakhtarma-Nardaranakhtarma" area of Gobustan OGR at onshore field by using the total depth point method (TDPM) under the order of "Azneft" PU.

Gravimetric works to the extent of 183 linear km in Gadisu-Sitalchay area of Caspian-Guba OGR and to the extent of 165 linear km were executed in the area of "Ceyilakhtarma-Nardaranakhtarma" area of Gobustan OGR.

Magnetometric works to the extent of 173 linear km in Gadisu-Sitalchay area of Caspian-Guba OGR and to the extent of 170 linear km were executed in the area of "Ceyilakhtarma-Nardaranakhtarma" area of Gobustan OGR.

Microseismic logging works to the extent of 761 m (2303 physical point) were performed in 34 wells under the order of Social Development Department of SOCAR.

1.2 Processing and interpretation works: processing of 3D seismic data to the extent of 103 km², gravimetric data to the extent of 348 linear km and magnetometric data to the extent of 343 linear km on Gazanbulag-Ziyadkhan area of Ganja OGR, 2D seismic data to the extent of 176 linear km on Gadisu-Sitalchay area of Caspian-Guba OGR and 2D seismic data to the extent of 9309 linear km on Yevlakh-Agjabedi OGR and **offshore** - 3D seismic data to the extent of 250 km² on Neft Dashlary-Oguz area, 3D seismic data to the extent of 622 km² on Babek area (customer "Azneft" PU), 3D seismic data to the extent of 878 km² on Shafag-Asiman area (customer "BP" company), 2D seismic data to the extent of 14005 linear km on Northern Absheron- offshore, North-Western Absheron - transition and Caspian-Guba ashore (customer "Statoil" company) and 2D seismic data to the extent of 343 linear km on Hamamdagh offshore-Garadagh offshore transition zone (customer "RWE" company) and **onshore** - interpretation of 3D seismic data to the extent of 28 km² on "Nehram-Tumbul area, 2D

seismic data to the extent of 939 linear km on Gadisu-Sitalchay area of Caspian-Guba OGR, 2D seismic data to the extent of 12 linear km on "Nehram-Tumbul area, 2D seismic data to the extent of 532 linear km, gravimetric data to the extent of 583 linear km and magnetometric data to the extent of 565 linear km on Caspian-Guba OGR (customer "Azneft" PU); in total, 465529 traces were digitalized on 675 profiles.

In the reporting year, the processing and interpretation of exploration geophysics data on 7 fields - Caspian-Guba OGR, Nehram-Tumbul, Shafag-Asiman, Hamamdagh offshore-Garadagh offshore transition zone, Gadisu-Sitalchay area were completed and basic geological outcomes were achieved and reported.



As a result of processing and interpretation of 2D seismic exploration data achieved in Caspian-Guba OGR, regional geological structure of survey area was specified, existence of regularly traced seismic boundaries was discovered within Mezozoy interval of geological section, seventeen seismic horizons referred to Mezo-Cainozoic sediments were correlated and structural maps were compiled on a number of horizons; Geological structure, depth of salt formations, dissemination area and thickness of Nehram-Tumbul field was specified; as a result of processing and interpretation of 3D seismic exploration data conducted in Shafag-Asiman area, geological structure of survey area was specified, structural maps were compiled on 9 seismic horizons between Girmakiustu sandy - Surakhany suite top, equal thickness maps were made; as a result of processing and interpretation of 2D seismic exploration data achieved on Hamamdagh offshore-Garadagh offshore transition zone, structural maps were compiled on Girmakialti, Girmakiustu sandy, Pereriv formation, Balakhany suites, productive stratum and surface of Absheron sediments, speed rates of the survey area was specified and oil&gas content was assessed; as a result of processing and interpretation of 2D seismic exploration data conducted in Gadisu-Sitalchay area, geological structure of survey area was specified, structural maps were compiled on surface of Valanjin-Hoteriv sediments, breaks of different directions and amplitudes were discovered; as a result of processing and interpretation of 3D seismic exploration data conducted in Babek area, structural maps were compiled on bottom of productive stratum - Miocene prograding surface, Girmaki suite, VIII (Girmakiustu formation), VII (Pereriv Formation), V (Balakany suite-VIII), top of productive stratum and horizons within Absheron sediments and 3D model of the area was created. Geometrical parameters of Babek structure was specified, complicated breaks of different amplitudes at the direction of its formation were discovered; as a result of processing and interpretation of 3D seismic exploration data conducted in Neft Dashlary (south-eastern plunge)-Oguz-D-30-Gunashli (western plunge) area, surface of sediments under productive stratum, structural maps were compiled on X and V horizons of QaLD, QAD, QD, QUQD, Pereriv formation and Balakhany suite. Tectonic fissures and their dimensions on different horizons of Oguz and D-30 structures were specified, various complicated breaks of its structures were pointed and 3D model reflecting dissemination area and space locations of reservoir rocks of the area was compiled.

At the same time, 58 reports, 249 maps, 758 operator sheets and 1210 time sections were digitalized by Corporate base establishment group.

1.3 Mining geophysical works. In the reporting year, "Mine Geophysics" Unit of GGD carried out mining geophysical works in the onshore areas of Azerbaijan and in the oil and gas wells as well as non-oil and gas wells under drilling and exploitation in Azerbaijan sector of the Caspian Sea under the orders of "Azneft" PU, Complex Drilling Works Trust, operating companies, joint ventures and outside companies working in Azerbaijan.

Total number of orders makes up 4082 (in 1014 wells) of which 1554 (210 wells) were performed in the open hole, while 2528 (1145 wells) in the cased hole. The fulfilled orders on well logging operations totaled to 2598 (in 568 wells) and the measured diagrams totaled to 8290.

Perforation works were performed in 760 wells to the extent of 1124 orders and 126897 holes were perforated.

Geophysical survey and perforation (buried shot) works were carried out in wells under drilling and exploitation in 53 fields of Azerbaijan, including 17 fields offshore - Agburun, Ateshgah, Bulla-deniz, Chilov island, Darwin section, Duvanny-deniz, Gunashli, Gurgan-deniz, Neft Dashlary, Western Absheron, Gum-deniz, Palchig Pilpilesi, Pirallahy, Sangachal-deniz, North-wrinkle, Umid and 8 March; and 38 fields onshore - Ateshgah, Balakhany, Bibiheybat, Binagadi, Buzovna, Candahar, Duvanny, Amirkhanly, Hovsan, Khilly, Kurovdagh, Korgoz, Gala, Galmaz, Garabagly, Garadagh, Garachukhur, Gushkhana, Lokbatan, Mashtaga, Mishovdagh, Muradkhanly, Nardaran, Neftchala, Pirsaat, Puta, Ramany, Seadan, Siyazan, Surakhani, Tumbul, Umbaku, Yasamal, Zagly Zarat and Zeyva.

7898 strata were appraised as per geophysical survey works throughout the year. Out of them, 3180 strata were assessed as industrially significant oil and gas bearing, 14 strata as indefinite and 4704 strata as watery. Perforation works were performed in 255 strata out of the appraised 7898 strata. There recovered oil from 213 out of 255 strata assessed as oil and gas bearing, while water was produced from 12 strata. Besides, oil was recovered from 3 out of 30 strata appraised as watery, while water was produced from 27 strata.

Complex geophysical surveys were conducted in 163 completed wells; the control of development of fields through geophysical methods was carried out in 378 wells (against 635 orders); gas logging and the geological-geochemical-technological supervision of drilling works were conducted in 26 wells in the reporting year.

Processing and interpretation expedition of the Department carried out digitalization, scan copying, PDF formatting of geophysical data to the extent of 11149723 m on 876 wells and scan copying, PDF formatting and stacking of inclinometric materials on 638 wells in order to create corporate database in 2014.

2. Geotechnical survey

In the reporting year, the Complex Engineering Exploration Production Section of GGD carried out structural mapping and geotechnical survey to the extent of 12841.5 m, 994.5 km continuous seismo-acoustic profiling (CSAP), 2259.5 km sonar planning, 1725.6 km hydrographic surveys (bathymetry) and 48 km (1.15 km²) multi-beam survey (measurement of sea bed in 3D format) and survey works on 3 themes.

Multi-beam survey works were carried out to the overall extent of 48 km (1.15 km²), including 10 km at design point 6 of Bulla deniz area, 2 km at design point 1541a of Neft Dashlary area, 3 km at design point 602a of Neft Dashlary area, 10 km at design point 750, 760 of Darwin section field, 10 km at Agburun area, 10 km at design point 7 of Gunashli under the order of "Azneft" PU and to the extent of 3 km in the area of Baku Deepwater Jacket Plant under the order of Diving and Salvage-Rescue Department.

Sonar planning, bathymetry, uninterrupted seismo-acoustic profiling and multi-beam survey works were carried out through "Mammad Suleymanov" and "Orion-3" ships.

Mechanical-and-physical properties of all rock samples taken in the course of geotechnical drilling works were surveyed in Central engineering laboratory of KMAIB.

Geotechnical drilling works: In 2014 geotechnical drilling works (in total, 12841.5 m drilling survey, including 6000 m within plan and 6841.5 m on a contractual basis) at offshore (9238.5 m) by "Zohrab Valiyev" vessel to the extent of 6000 m at Yanan Tava area of Azerbaijan sector of the Caspian Sea, 2100 m at Zorat-deniz area, 280 m at design point of well 1 at Agburun area, 430 m at Bulla-deniz area (customer: "Azneft" PU), 210 m at Umid field (customer: "SOCAR-Umid" LLC), 35 m in dockyard of quayside at "Alat-Pirsaat" transition area (customer: Complex Drilling Works Trust), 183.5 m at Rakushechnaya area of Kazakhstan sector of the Caspian Sea (customer: "Caspian Engineering Company" LLC); at onshore (3605 m) to the extent of 138 m in site of "White City" project through drilling rigs (customer: Ecology Department), 60 m in site of administrative building of Geology and

Geophysics Department, 40 m in site of administrative building of KMAIB and 3365 m in the sites of multistorey buildings to be constructed by "Araz" MTK (customer: Social Development Department).

Seismo-acoustic profiling: Such operations were performed totally to the extent of 994.5 km, (including 716.5 km according to plan and 278 km under contracts) such as 716.5 km at Yanan Tava area, 250 km at "Zorat-deniz" area, 28 km at Bulla-deniz area in the reporting period.

Sonar planning works: Such works were carried out totally to the extent of 2259.5 km (including 1287 km according to plan and 972.5 km under contracts) such as 1287 km at Yanan Tava area, 273 km at Zorat-deniz area, 162 km at Bulla-deniz area, 28.5 km at Neft Dashlary area, 52 km at Gunashli area, 278 km at "Neft-Dashlary- Gunashli" transition area, 14 km at "Neft Dashlary-Dubandi" transition area, 33 km at "Pirallahy-Dubandi" transition area, 19 km at "Darwin section" area (customer: "Azneft" PU), 80.5 km at Goshadash area (customer: "Prospect Geophysics" Production Section), 9 km at Bulla-deniz area (customer: Oil & Gas Construction Trust), 3.5 km in the area of Baku Deepwater Jackets Plant (customer: Diving and Salvage-Rescue Department), 20 km for seeking of anchor of Shirvan ship at Sangachal area (customer: Caspian Sea Oil Fleet)

Bathymetric survey: Such works were carried out totally to the extent of 1725.6 km (including 608.7 km according to plan and 1116.9 km under contracts) such as 608.7 km at Yanan Tava area, 361 km at Zorat-deniz area, 86 km at Gunashli area, 63 km at Neft Dashlary area, 61.5 km at "Neft Dashlary-Gunashli" transition area, 286 km at Bulla deniz area, 126.5 km at Goshadash area, 53 km at "Pirallahy-Dubandi" transition area and 49 km at "Darwin section" area (customer: "Azneft" PU), 16.4 km in dockyard of quayside at "Alat-Pirsaat" transition area (customer: Complex Drilling Works Trust) and 14.5 km in the area of Baku Deepwater Jackets Plant (customer: Diving and Salvage-Rescue Department).

Multi-beam (measurement of sea bed in 3D format) survey works were carried out totally to the extent of 48 km (1.15 km²), including 10 km at Bulla-deniz area, 2 km at Neft Dashlary area, 3 km at "Neft Dashlary-Gunashli" transition area, 10 km at "Darwin section" area 10 km at Agburun area, 10 km at Gunashli area (customer: "Azneft" PU), 3 km in the area of Baku Deepwater Jackets Plant (customer: Diving and Salvage-Rescue Department).

Survey works were carried out for 3 themes by KMAIB in the reporting period. Besides, 137 reports, 387 maps and 1325 graphical material were put in corporate base in electronic form throughout the year.

3. Structural prospecting and exploration drilling works. In 2014, structural prospecting and exploration drilling works were executed at onshore and offshore fields of Azerbaijan Republic (oil & gas fields and exploration targets) on account of internal resources of SOCAR and jointly with foreign companies.

3.1. Structural prospecting drilling works. Drilling works to the extent of 1000 m were performed at Eldaroyugu area onshore under the order of "Azneft" PU in 2014.

"Eldaroyugu" structural prospecting well №1. The target depth of the well is 2000 m, target horizon is Miocene (Top Sarmatian). The well was designed to specify geological structure, lithology, stratigraphy and oil & gas content. Drilling of structural prospecting well №1 was started on 21.10.2014 and drilling works to the extent of 1000 m were performed throughout the year. According to rock samples taken up to 1000 m depth and outcomes of well geophysical surveys, development works were carried out in some intervals positively appraised as oil & gas bearing. The well passed to 2015 at 1000 m deep-hole prospecting.

3.2. Exploratory-prospecting drilling works. In 2014, exploratory-prospecting drilling works to the extent of 5589 m, including 1628 m on internal resources of SOCAR and 3961 m jointly with foreign companies were carried out. The exploratory-prospecting drilling works were performed at three areas - "Tumbul" (№2, №4) fields onshore, Hovsan field (operatorship Absheron Operating Company №1870) and at "Agburun" area (№1) offshore.

In the reporting year, 3 wells were commenced with drilling at "Tumbul" (№4), "Agburun" (№1), "Hovsan" (№1870), 3 wells were completed with drilling at "Tumbul" (№2, №4), "Agburun" (№1), 3 wells were completed with construction at "Tumbul" (№2, №4), "Agburun" (№1). "Tumbul" (№2, №4) wells were handed over to conservation, but "Agburun" (№1) was supposed to be abandoned due to geological reason.

"Tumbul" prospecting well №2. Exploration-prospecting and drilling works were continued in 2014 in order to create gas storages at Tumbul area of Nakhichevan AR in respect to execution of Action Program

approved for improvement of gas supply and enhancement of gas production of the Republic. The target depth of the well is 820 m, target horizon is middle Miocene Kong-Karaganga. The drilling works were commenced on 01.11.2013. The well passed to 2014 at 657 m deep-hole prospecting. Drilling works to the extent of 68 m were performed in 2014 and well bottom reached to 725 m on 02.02.2014. Salt formations were discovered in 655-705 m interval (in comparison with well 1 at vicinity) according to results of analyses of the core samples and rock cuttings taken up to such depth which performed by the laboratories of "Azlab" LLC and "Geolab" International Scientific Production Company, and outcomes of mine-geophysical surveys conducted in the well. It was decided to stop drilling operations in the well at 725 m depth and to hand over well №2 for conservation up to completion of prospecting period at Tumbul field.

"Tumbul" prospecting well №4. The target depth of the well is 750 m, target horizon is middle Miocene Kong-Karaganga. The drilling works were commenced on 01.03.2014. Drilling works to the extent of 700 m were performed throughout the year. Salt formations were discovered in 610-665 m interval (in comparison with wells 1, 2 at vicinity) according to results of analyses of the core samples and rock cuttings taken up to such depth which performed by the laboratories of "Azlab" LLC and "Geolab" International Scientific Production Company, and outcomes of mine-geophysical surveys conducted in the well. It was decided to stop drilling operations in the well at 700 m depth and to hand over well №4 for conservation up to completion of prospecting period at Tumbul field.

In view of aeral traceability of salt formation as per outcomes of drilling and 3D seismic survey works conducted at the area, and pursuant to decision of geotechnical meeting held on May 30, 2014 by Kh.B.Yusifzade First vice-president of SOCAR concerning status of prospecting works performed in regard to check of possibility to create Underground Gas Storage at Tumbul area of Nakhichevan AR, drilling of target prospecting wells №3, 5 was laid off and shut down and Oil & Gas Research and Design Institute was encharged to prepare proposals on feasibility study for creation of the Underground Gas Storage at Tumbul area.

"Agburun area" exploration well №1 ("Khazar-6" floating drilling rig). The target depth of the well is 1250 m, target horizon is Girmakialti suite of Productive Stratum. Drilling works were started on 20.04.2014. Drilling works to the extent of 860 m were performed throughout the year. According to core samples and rock cuttings taken from the well, stratigraphy and lithology of the section were surveyed. The target horizon was discovered at 860 m depth (in comparison with wells 7, 20 at vicinity) according to results of analyses of the core samples and rock cuttings and outcomes of mine-geophysical surveys conducted in the well. Drilling works were stopped at 860 m deep-hole on 26.06.2014 and completed with construction on 12.09.2014. Testing works were carried out at the formations which positively appraised as oil & gas bearing according to outcomes of mine-geophysical surveys. The well was abandoned due to geological reason because of nonoccurrence of positive result while testing.

"Hovsan field" exploration well №1870. The target depth of the well is 4863 m, target horizon is Miocene. Drilling of the well was started on 30.09.2014. Drilling works to the extent of 3961 m were carried out throughout the year. The well passed to 2015 at 3961 m deep-hole prospecting. The geological structure and oil & gas bearing of fields were studied as a result of the prospecting and exploratory works conducted by SOCAR and jointly with foreign companies in 2014.

IV. DEVELOPMENT OF OIL AND GAS FIELDS

There discovered 81 oil and gas fields in the territory of Azerbaijan Republic up to 01.01.2015. At the present, the hydrocarbon is extracted from 61 fields, 20 fields have not been involved to the operations for this or that reason and/or their development have been abandoned. 41 fields of those under development are onshore (including 17 fields are operated by "Azneft" PU, 24 fields by Joint Ventures and Operating Companies) and 20 of them are offshore (including 14 fields are operated by "Azneft" PU, 6 fields by Joint Ventures and Operating Companies) sites of Azerbaijan.

1883.0 mln. tons oil-condensate and 711.1 bln. m³ gas were produced from the developed fields for the whole country from the beginning of the development up to 01.01.2015. Also, 970 mln. tons oil-condensate and 138 bln. m³ gas were produced from onshore fields and 913 mln. tons oil-condensate and 573.1 bln. m³ gas were produced from offshore fields.

354.3 mln. tons oil and 103.5 bln. m³ gas have been produced on Azeri-Chirag-Gunashli oilfield from the beginning of the development (since 1997) by AIOC. Since May 2000 there started injection of water and gas to the Pereriv formation and 257.8 mln. m³ water and 54.5 bln. m³ gas were injected to the reservoir for maintaining pressure of the formation.

15 mln. tons oil-condensate and 57.8 bln. m³ gas were produced on Shah Deniz field from the beginning of the development (since 2006).

Umid gas-condensate field was involved in commercial field development in 2012. Up to 01.01.2015, 97.6 ths. tons oil-condensate and 616.6 mln. m³ gas were produced from the aforesaid field.

Development drilling to the extent of 124.7 thousand m were carried out in the fields operated by "Azneft" PU, 74 wells were put into operation (including 6 gas injection wells) and 197 thousand tons oil and 32.6 mln. m³ gas were produced from these wells in 2014. 4.9 thousand tons oil were produced from 19 new wells drilled from onshore fields and 191.6 thousand tons oil were produced from 55 new wells drilled from offshore fields. 82 new wells were put into operation by JVs and OCs.

Analysis of results of the operation drillings carried out during the last years proves drilling and commissioning of new wells to be one of the key actions for stabilization and partial enhancement of production on wells. Well network under development is partially recovered through production drilling, old wells out of operation are replaced with new ones and subsequently, there emerged opportunities for necessary technological operation of any field.

A number of works were carried out in view of improvement of water injection into strata and application and deployment of new progressive methods in order to maintain formation pressure at the fields under development and oil flow rate of productive formation.

In view of maintenance of pressure of the formation in the reservoirs on OGPDs of "Azneft" PU, there injected 3814.2 thousand m³ water to the reservoirs and 107.6 thousand tons of additional oil was produced. Water to the extent of 3204.1 thousand m³ were injected to the reservoirs for the purpose of the artificial conditions of the offshore fields and as a result, 90.8 thousand tons of additional oil was produced. Also, for the purpose of the artificial conditions of the onshore fields water to the extent of 610.1 thousand m³ were injected to the reservoirs and as a result, 16.8 thousand tons of additional oil was produced. There produced 251.6 thousand tons of additional oil, including 90.8 thousand tons oil offshore and 160.8 thousand tons oil onshore from water injected targets by "Azneft" PU and JVs respectively in 2014.

8.7 thousand tons of additional oil (including 8.5 thousand tons oil offshore and 0.2 thousand tons oil onshore) was produced by "Azneft" PU through other methods (III stimulation methods) for enhancement of the oil output of strata.

"Azneft" PU carried out 730 geological actions in 2014 and as a result of these actions, 330.6 thousand tons of additional oil was produced. 271 geological actions were carried out at offshore fields and as a result of these actions, 286.4 thousand tons of additional oil was produced. Also, 459 geological actions were carried out at onshore fields and as a result, 44.2 thousand tons of additional oil was produced.

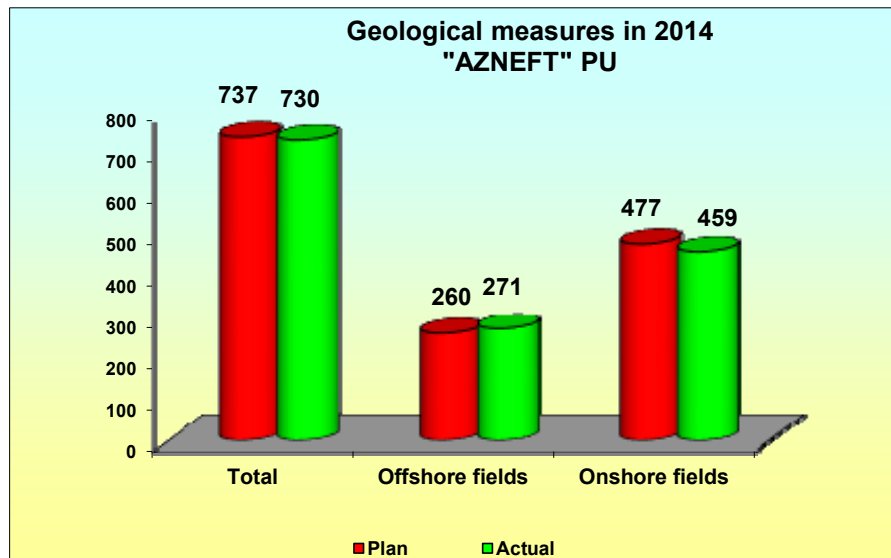


Diagram IV.1

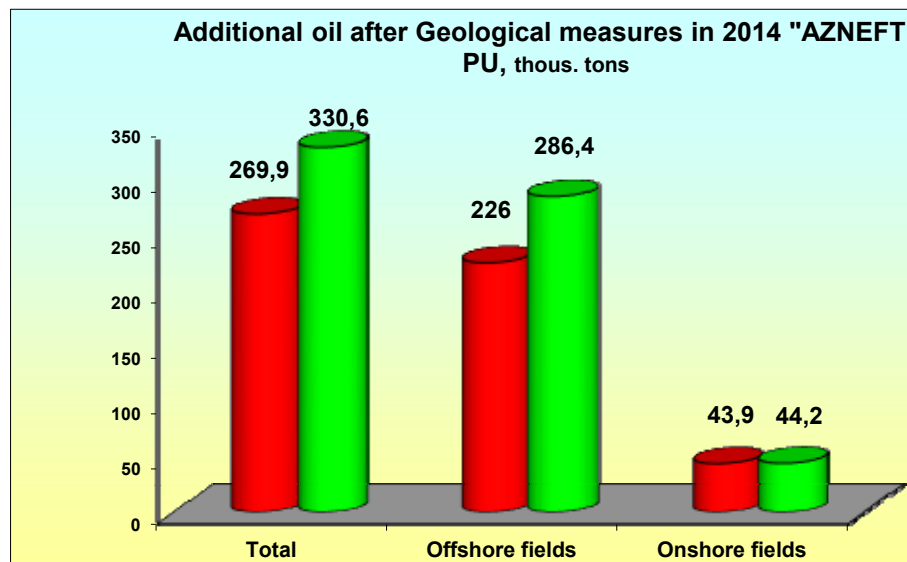


Diagram IV.2

6 gas injection wells were drilled and put into operation in "Galmaz" and "Garadagh" underground gas storages in 2014. There injected gas to the extent of 849 mln. m³ at Galmaz field and 1004 mln. m³ at Garadagh field (totally 1853 mln. m³) in the course of season and active gas volume on gas storages 3229.6 mln. m³.

Different range of hydrodynamic mining-geophysical study works were carried out and water, oil and gas samples were taken from deepwater and wells for analysis in laboratory.

Several measurements were made in respect to 1308 formation and hole back pressures in 858 wells, 8377 static and dynamic levels in 4371 wells and production in 6199 wells from time to time and physical-chemical analysis of 6251 oil, gas and water samples were made in the reporting year.

In view of control over field development, INNK measurement works were carried out in 50 wells, AKS measurement works in 25 wells and, flow profiles were fixed in 13 wells, watering interval in 18 wells, absorption profile in 8 wells and strata temperature were measured in 357 wells and technical condition of pipeline was inspected through geophysical method in 48 wells. Also, dynamic and static levels in 152 wells were identified and 408 formation and hole back were measured and other survey works were carried out in "Garadagh" and "Galmaz" underground gas storages.

The following actions are to be taken by SOCAR in the long term in order to stabilize oil & gas production, enhance partially and improve production-financial condition of the Company:

- Completion of construction of deepwater jacket №7, drilling of 20 new wells and improvement of water injection system at Gunashli field;

- Drilling of additional 9 operating wells in view of outcomes of well №112 drilled from jacket №112 which constructed at “Chilov” field;
- Completion of construction of deepwater jackets №1954a, 1637a, 602a and drilling of 34 new wells at “Neft Dashlary” field; erection of jackets № 620 for 8 wells, № 1541a for 14 wells and № 331, 1646, 1779, 363, 360, 750 for 10 new wells through each jacket and launching of drilling works in these jackets;
- Construction of deepwater jackets №1351, 1352, 1353, 1354, 1355 at “Palchig Pilpilesi” field and drilling of 50 operating wells through these jackets;
- Completion of drilling works in deepwater jacket №122 at “Bulla-deniz” field, completion of construction of deepwater jacket №6 and drilling of 4 operating wells through this jacket;
- Completion of construction works in deepwater jacket №1150 at Pirallahy field and drilling of 16 operating wells through this jacket;
- Construction of deepwater jacket №90 at Absheron section field and drilling of 8 operating wells through this jacket;
- Construction of deepwater jackets №700, 730, 790, 750, 760 at Darwin section field and drilling of 66 operating wells through these jackets;
- Completion of construction works in deepwater jacket №20 at “Western Absheron” field, construction of deepwater jackets №10, 54 and drilling of 10 new wells through each of these jackets;
- Construction of deepwater jacket №90 at Absheron section field and drilling of 8 operating wells through this jacket;
- Continuation of drilling works in deepwater jacket №1 at “Umid” field, construction of deepwater jacket №2 and drilling of 8 operating wells through this jacket;
- Involvement of “Babek”, “Absheron”, “Garabagh” and “Ashrafi” fields into development.

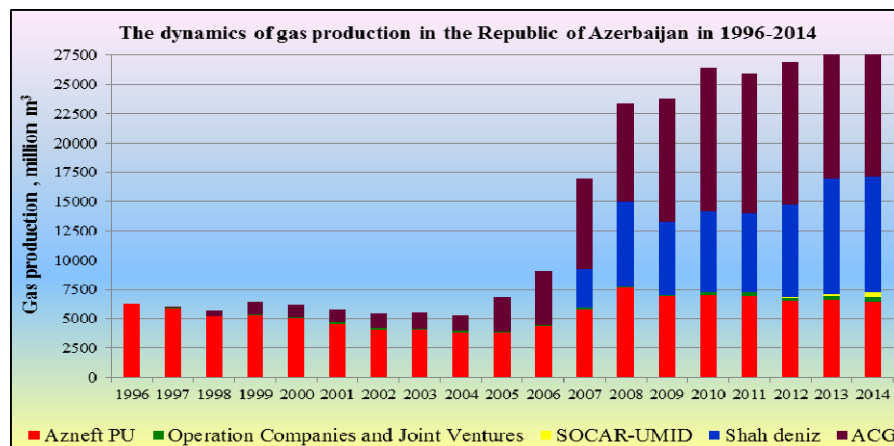


Diagram IV.3

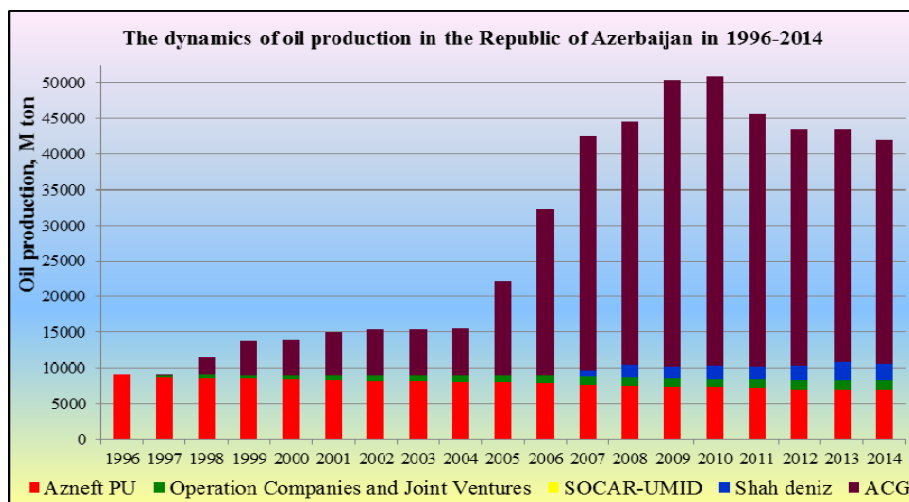


Diagram IV.4

V. DRILLING

The drilling works were carried out to the extent of 127346 m against plan of 144112 m by the drilling organizations of SOCAR in 2014 and the plan for both purposes was fulfilled as 88.4%. The plan for development drilling was fulfilled as 88.9%, i.e. 124718 m against plan of 140339 m. 76 wells, including 73 operating wells and 3 exploration wells were completed with construction against 92 wells. The plan for exploration drilling was fulfilled as 69.7%, i.e. drilling works to the extent of 2628 m against plan of 3773 m.

Plan for offshore drilling works was fulfilled as 85.2%, totally 81395 m against plan of 95487 m, including production drilling to the extent of 80535 m (plan 98378 m) such as 85.1% against plan of 94627 m. 34 exploitation wells and 1 exploration well out of 46 exploitation wells and 1 exploration well to be constructed, were finished. The plan for exploration drilling was fulfilled as 100%, i.e. drilling works to the extent of 860 m against plan of 860 m.

Plan for onshore drilling works was fulfilled as 94.5%, totally 45951 m (against plan of 48625 m), including production drilling to the extent of 44183 m (against plan of 45712 m) such as 96.7%, exploration drilling to the extent of 1768 m (against plan of 2913 m) such as 60.7%. In total, 41 wells (against plan of 45 wells) were finished with construction in 2014, including 39 exploitation wells (against plan of 42 wells) and 2 exploration wells (against plan of 3 wells).

Offshore production drilling works were carried out at the fields of Umid, Gunashli, Chilov, Neft Dashlary, Darwin section area and exploration drilling works at the fields of Bulla-deniz and Agburundeniz.

Onshore production drilling works were carried out at the fields of Galmaz, Garadagh, Pirallahy, Seadan, Zarat and exploration drilling works at the fields of Tumbul and Eldaroyugu.

There performed drilling works to the extent of 111106 m against plan of 127122 m by "Complex Drilling Works" Trust. The plan was fulfilled on both targets to the extent of 87.4%, production drilling plan was fulfilled to the extent of 87.9%; the drilling works were performed to the extent of 108478 m against plan of 123349 m. Exploratory drilling plan was fulfilled as 69.7% in the reporting period, so drilling works were performed to the extent of 2628 m against plan of 3773 m. The plan on wells finished with construction by the Trust was fulfilled as 82.6%, totally 71 wells (-16) were handed over against plan of 87 wells. Neft Dashlary Production Section handed over 26 wells (-10) against plan of 36 wells; Absheron Production Section handed over 21 wells (-2) against plan of 23 wells; Bulla - 8 March Production Section handed over 2 wells (+2) against plan of 1 well; Gunashli Production Section handed over 2 wells (-3) against plan of 5 wells; Garadagh Production Section handed over 9 wells (-2) against plan of 11 wells; Siyazan Production Section handed over 11 wells as planned.

SOCAR-AQS LLC fulfilled the drilling progress plan to the extent of 95.6% in 2014. The drilling works to the extent of 16240 m were performed actually against plan of 16990 m and 5 wells to be completed with construction were put into operation.

SOCAR continued the works on upgrading of facilities/hardware and usage of high technology concerning development of the drilling works in 2014.

Onshore drilling works were carried out at Garadagh field and in well 1 at Eldaroyugu field, and offshore drilling works were performed in wells bored through jacket 2585 located at Neft Dashlary field and exploratory well Bulla-deniz 124 were carried out by new and modern drilling facilities and rigs produced by US and China companies. Use of such facilities have positively influenced to increase of the quality and technical-and-economic indices (cost/performance ratio) of the drilling works.

Construction works were continued as per approved project for new and modern semisubmersible floating drilling rig DSS 38E in order to run exploration and drilling works in the deepwaters of the Caspian Sea. Furthermore, exploration and prospecting works were carried out at Agburun field through jack-up floating drilling rig "Khazar-6" overhauled, and it is supposed to be involved in exploration and prospecting drilling in Agburun area.

The process of replacement of drilling rigs, which used for a long time by SOCAR in drilling of deep oil & gas wells at offshore/onshore fields, with state-of-the-art rigs was continued. Therefore, two modern drilling rigs “ZJ-50” DZM, two drilling rigs “ZJ-40” CZ, three drill pumps PZ-11 (PZL-11), two top driver PTD 500 tons, two top driver PTD 350 tons, which produced by Chinese company, were purchased for drilling operations in 2014. Sustainable procurement of such new rigs has been planned. Two drilling rigs “ZJ-50” are being installed inside module of jackets 7, 18 planned to be constructed at “Gunashli” field in order to continue drilling operations at offshore fields. Moreover, setting-up is ongoing for performance of well drilling through jacket 6 by drilling rig “ZJ-70” in order to ensure full operation of hydrocarbon resources at Bulla-deniz field. Replacement of outdated drilling rig fleet was started by SOCAR as from 2013 and totally, 8 modern drilling rigs (four drilling rigs “ZJ-50”, two “ZJ-70” and two “ZJ-40”) were purchased within 2013-2014.

Application of modern technology (PDC with high hydromonitor effect, as well as bicentric bits, well bottom motors, MWD devices, stabilizers, JASS, thick-wall drill pipes and usage of polymer and hydrocarbon-based drill muds etc.) upon the wells were important in view of acceleration of the drilling and prevention of the risks and accidents in the procedure.



Use of MWD devices resulted positively for regular control of well hole parameters in drilling of the horizontal wells. So, our specialists using such new technologies succeeded to commission horizontal well 1211 located at Pirallahy field by completion of the well through well strainer for the first time.

Several softwares were purchased and delivered in industrial facilities in order to implement increase of process control over well drilling by SOCAR and to provide direct visual control of parameters of drilling practices. It has been positively influencing upon well drilling.

Fulfilment of the drilling works to the extent of 138569 m and consequently, commissioning of 93 wells on SOCAR has been forecasted for 2015.

Proposals on drilling area concerning the improvement of the operational-financial situation of SOCAR:

Arrangement of drilling works according to international standards and wide use of the modern technologies are important for safe and efficient development of the drilling works. Implementation of the following actions has been planned for achievement of the forthcoming purposes:

- Deployment of application of new modern mobile drilling rigs for improvement of quality indicators of well drilling;
- Upgrading of rig fleet in compliance with high requirements;
- Achievement of drill upside by using services of competent subcontractors through more innovative techniques;
- Continuance of the drilling of the exploitation wells through current offshore drilling rigs in Bulla-deniz, Gunashli, Neft Dashlary, Darwin section and Chilov fields as well as new jackets to be constructed for keeping annual oil and gas production stable;
- Application of new type muds used for maintenance of ecological cleanness as well as prevention of pollution of reservoirs while well drilling

- Use of modern perforators reducing pollution of reservoirs and performance of such works through brines for perforation of casing pipe;
- Achievement of well completion with casing pipe and perforation through alternative technologies by gravel pack on back of filter pipe or filter by bottoming of extending filter and by cementation in compliance with every method selected;
- Continuation of exploratory-prospecting works in Bulla-deniz and Eldaroyugu structure, and start-up of preparation works in Babek structure;
- Raising skills of the specialists; the arrangement of the company internal seminars, discussions, participation in seminars and conferences carried out by foreign companies and international organizations for increasing the effectiveness of the works carried out and works assumed to be implemented.

VI. OIL AND GAS PRODUCTION

42.0 mln. tons oil and 29.6 bln. cubic meters gas were produced in the country in 2014. The oil production was less to the extent of 1.5 mln. tons and gas production was higher to the extent of 0.2 bln. cubic meters as compared to 2013;

8320.4 thousand tons oil (together with condensate) and 7222.8 mln. cubic meters gas were produced from fields developed by SOCAR in 2014.

Oil production on SOCAR, thousand ton

Table VI.1

	2014				2013 actual	2014/2013 difference + ; -
	forecast	actual	+ / -	%		
SOCAR	8300,0	8320,4	20,4	100,2	8314,9	5,5
"Azneft" PU	6810,0	6817,1	7,1	100,1	6808,0	9,1
OC/ JV	1442,0	1448,4	6,4	100,4	1477,1	-28,7
SOCAR Umid LLC	48,0	54,9	6,9	114,4	29,8	25,1

8320.4 thousand tons oil (together with condensate) was produced from fields developed by SOCAR in 2014 that subsequently forecast was fulfilled higher to the extent of 20.4 thousand tons, i.e. 100.2%. The oil production in 2014 was higher to the extent of 5.5 thousand tons as compared to 2013.

31377.8 thousand tons oil was produced from ACG fields and 2324.5 thousand tons condensate was produced from Shah Deniz field in 2014.

Gas production on SOCAR, million m³

Table VI.2

	2014				2014 actual	2014/2013 difference +;-
	forecast	actual	+ / -	%		
SOCAR	7010,0	7222,8	212,8	103,0	7140,1	82,7
"Azneft" PU	6140,0	6399,3	259,3	104,2	6573,2	-173,9
OC/ JV	535,0	466,3	-68,7	87,2	383,8	82,5
SOCAR Umid LLC	335,0	357,2	22,2	106,6	183,1	174,1

The gas production forecast in 2014 was fulfilled to the extent of 103.0 % and totaled to 7222.8 mln. m³ on SOCAR. The gas production was higher to the extent of 82.7 mln. m³ as compared to 2013.

There produced gas by SOCAR from ACG field to the extent of 2776.5 mln. cubic meters and from Shah Deniz field to the extent of 3153.4 mln. cubic meters in the reporting period.

95.9% of the produced oil was extracted from declining well stock, 3.4% from the new wells and 0.7% from the non-operating stock in 2014:

Table VI.3

	Total oil production, ths. tons	Including:					
		On declining well stock		On wells of non-operating stock		On new wells	
		Production, ths. tons	Share in total production, %	Production, ths. tons	Share in the total produc- tion, %	Production, ths. tons	Share in the total produc- tion, %
SOCAR	8318,2*	7979,6	95,9	55,5	0,7	283,1	3,4
"Azneft" PU	6814,9	6577,5	96,5	37,4	0,5	200,0	2,9
OC/ JV	1448,4	1379,3	95,2	18,1	1,2	51,0	3,5
SOCAR Umid LLC	54,9	22,8	41,5			32,1	58,5

* 2.2 thousand tons condensate generated from Underground Gas Storage (UGS) is added.

19.1% of the total oil production was carried out by blowout, 60.2% by gaslift and 20.7% by borehole pump methods:

Table VI.4

	Total oil production, ths. tons	Including:					
		Blowout		Gas lift (air-lift)		Borehole pumps and swabbing	
		Production (ths. tons)	Share in the total production, %	Production (ths. tons)	Share in the total production, %	Production (ths. tons)	Share in the total production, %
SOCAR	8318,2*	1584,8	19,1	5007,8	60,2	1725,6	20,7
"Azneft" PU	6814,9	1480,9	21,7	4871,6	71,5	462,4	6,8
OC/ JV	1448,4	48,5	3,3	136,2	9,4	1263,7	87,2
SOCAR Umid LLC	54,9	54,9	100,0				

* 2.2 thousand tons condensate generated from UGS is added.

The well stock on SOCAR up to 01.01.2015 is shown in the following table: the operating well stock totaled to 8769 wells (including 184 gas wells), the development well stock totaled to 6560 wells (including 119 gas wells):

Table VI.5

	Operating well stock		Development well stock		Non-operating well stock		Well development after drilling	
	01.01.2014	01.01.2015	01.01.2014	01.01.2015	01.01.2014	01.01.2015	01.01.2014	01.01.2015
SOCAR	9142	8769	6842	6560	2265	2197	35	33
"Azneft" PU	3744	3342	3303	3068	421	256	20	18
OC/ JV	5397	5425	3538	3490	1844	1920	15	15
SOCAR Umid LLC	1	2	1	2				
UGS	158	161	148	151	10	21	0	1

Integrated actions developed and carried out on oil & gas recovery by SOCAR in 2014 are as follows:

- Surveys were carried out for involvement of exploration targets to intensive development, oil and gas resources were reestimated and infrastructures were expanded through designing of new hydrotechnical facilities and construction works in view of optimization of field development projects and remaining oil & gas reserves.
- Hydrocarbon reserves of "8 March" field were reestimated, development design of reserves of "Neft Dashlary" field was elaborated under final report, estimation of hydrocarbon reserves of "Bibiheybat", "Lokbatan-Puta-Gushkhana", "Gunashli", "Neft Dashlary", "Darwin section", "Sangachal-deniz-Duvanny-deniz-Xare-Zira island", "Alat-deniz" and "Bulla-deniz" were completed, estimation of reserves of "Pirallahy" field and of exploration targets in offshore zones was ongoing. It was planned to finalize such works in 2015.
- Development drilling to the extent of 121.9 thousand m were carried out, 74 wells were put into operation and 196.5 thousand tons oil and 32.6 mln. cubic meters gas were produced these wells at the fields operated by "Azneft" Production Unit in 2014. 4.9 thousand tons oil was produced from 19 wells newly drilled at onshore fields and 191.7 thousand tons oil was produced from 55 wells newly drilled at offshore fields.
- 7 wells were put into operation and 107 thousand tons oil was produced from these wells as a result of drilling works conducted at deep water jackets 10, 11, 13, 14 of Gunashli field.



- 18 wells were put into operation and 51.5 thousand tons oil was produced from these wells resulted from successful continuance of drilling works conducted at Fixed Drilling Offshore Platforms 1887, 2521, 2585, 2150 and platform 418a of “Neft Dashlary” field.
- 16 wells were drilled and commissioned through platform 1140 at “Pirallahy” field and 10.8 thousand tons oil was produced from this well.
- As a result of drilling works at Fixed Drilling Offshore Platforms 620, 670, 720 which completely constructed at “Darwin section” field, 14 wells (6 wells through Fixed Drilling Offshore Platform-720; 4 wells through Fixed Drilling Offshore Platform-670; 4 wells through Fixed Drilling Offshore Platform-620) and 19.3 thousand tons oil was produced.
- As a result of repair and rebuild of the existing facilities and construction of new facilities at “Western Abseron” field, increase of oil production was achieved and it was planned to start construction of Fixed Drilling Offshore Platform 10 for drilling of 10 wells and Fixed Drilling Offshore Platform 54 for drilling of 10 wells. Construction of jacket 700 at “Darwin section” field was ongoing.
- Drilling of first well 124 was started upon completion of construction of Fixed Drilling Offshore Platform 122 for drilling of 3 gas-condensate wells at “Bulla-deniz” field. Drilling of first new well will be started in 2015 by continuing current construction of Fixed Drilling Offshore Platform 6 for drilling of 4 gas-condensate wells.
- 1 well was drilled and commissioned at A.C.Amirov OGPD and 0.7 thousand tons oil was produced from this well.
- 11 wells were drilled and commissioned at Seadan and Jandahar-Zarat areas of “Siyazanneft” OGPD and 3.4 thousand tons oil was produced from these wells.
- 6 wells were drilled and commissioned at “Galmaz” and “Garadagh” underground gas storages of Gas Storages Maintenance Department and out of these 4 wells were involved in gas injection and gas intake.
- 3814.2 thousand m³ water was injected upon formations and stratum in respect to prevention of declining of formation pressures at the fields within “Azneft” Production Unit and thus, 107.7 thousand tons of additional oil was produced. 3204.1 thousand m³ water was injected upon formations at offshore fields in view of artificial conditions (bed stimulation) and as a result, 90.8 thousand tons of additional oil was produced. 610.1 thousand m³ water was injected upon formations at onshore fields and as a result, 16.8 thousand tons of additional oil was produced.

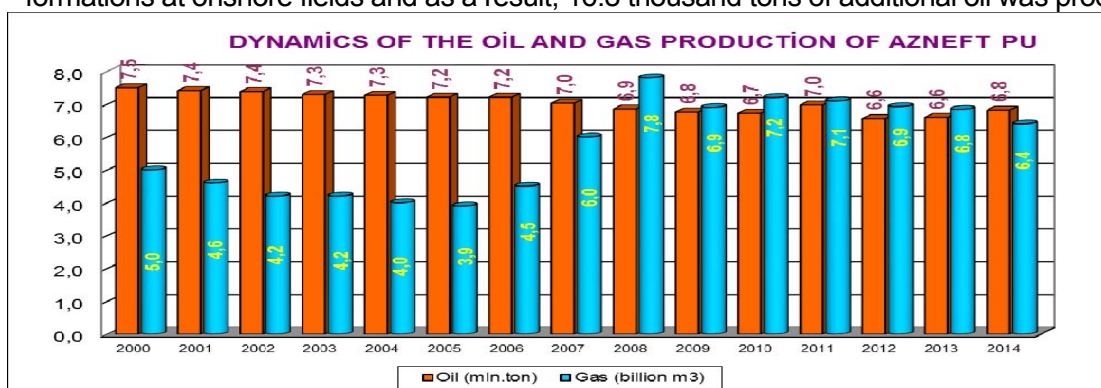


Diagram VI.1

- 8.7 thousand tons of additional oil was produced within “Azneft” Production Unit through other methods (III treatment methods) of enhancement of oil flowrate of formations.
- 730 geological actions were carried out and 330.6 thousand tons of additional oil was produced within “Azneft” Production Unit in 2014.
- Scientific-research and engineering works were expanded and state-of-the-art technologies were tested and applied in the production in order to optimize oil and gas recovery processes from technological and economic standpoints. Furthermore, positive outcomes were resulted from application of different structured depth pumps, chemical compositions, nanotechnologies, new repair and maintenance equipment;
- Construction of high-pressure gaslift compressor station at deep water jacket 4 of Gunashli field was completed and the site was handed over into commissioning that it would continuously satisfy demand of gaslift wells and allow for production of additional oil through high pressure.
- It was forecasted to complete construction of platforms 1954A, 602A, 1637A, 620A, 1541A for drilling of total 60 wells at “Neft Dashlary” field and to produce 22 thousand tons oil by drilling and commissioning of 16 wells in 2015.
- Works on installation of vacuum compressors in platforms were continued in order to collect low-pressure gases at “Neft Dashlary” OGPD and daily average gas to the extent of 1.1 mln. m³ were collected and delivered through overall 80 compressors and elimination of environmental damage was achieved;
- 426x26 mm lines to the extent of 2000 m were laid for connection of old and new Gas Distributing Points and 2 dust retainers and 12.5 m³ underground drainage capacity were installed at Garadagh area of Gas Storages Maintenance Department. New separators and 12-well manifold system were installed at the site.
- Lines to the extent of 13400 m were carried out for 5 wells, 4 m³ light separator and Ø600 mm survey separator were fixed and connected to the existing system and 5 manifold systems were connected to the existing 426x26 mm lines and 5 weight hopper pumps were installed in methanol pumphouse of which construction was completed at old Gas Distributing Point of Garadagh area.
- Design and construction works were expanded towards refurbishment of the fields being under development for a long time and reconstruction works were carried out in optimization of oil & gas collection-delivery systems and utilization of produced waters at “Pirallahy”, “Bibiheybat” and other fields.



VII. GAS COLLECTION AND TRANSPORTATION

The actions implemented in gas collection and transportation are as follows:

- Associated gas to the extent of 1.0 - 1.1 mln. cubic meters per day is collected from the wells and returned to the system by 80 OGC vacuum compressors which installed in sites for collection of low pressure gas at "Neft Dashlary" OGPD.
- Construction of gas-lift compressor station at deep water jacket 4 of "28 May" OGPD was completed.
- Transportation of gas output from Umid field to ashore was continued.
- The works in gas collection and transportation of onshore OGPDs were continued.
- All works required for gas injection to and gas intake from Underground Gas Storages were implemented.
- Totally gas to the extent of 12216.1 mln. cubic meters was handed over from outlet of Gas Processing Plant, directly from OGPDs, JVs, OCs and Sangachal Master Facilities (ACG and Shah Deniz) in 2014.
- Gas to the extent of 10095.5 mln. cubic meters countrywide, including 5285.8 mln. cubic meters was sold to "Azerenergy" JSC, 2473.6 mln. cubic meters to the subscribers, 1677.7 mln. cubic meters to industrial enterprises, 339.4 mln. cubic meters communal - public sector entities and 319.0 mln. cubic meters to "Nakhichevangaz" PU in 2014.
- Gas to the extent of 1418.7 mln. cubic meters was exported, including 1211.9 mln. cubic meters to Georgia and 206.8 mln. cubic meters to Russia in 2014. Besides, interchange gas to the extent of 398.5 mln. cubic meters was transported to the Islamic Republic of Iran in order to provide Nakhichevan AR with natural gas.
- Supply of consumers with uninterrupted natural gas in autumn-winter season and management of surplus gas volumes in spring-summer season are regulated with gas intake from and gas injection to Underground Gas Storages accordingly.
- Gas to the extent of 2483.6 mln. cubic meters was taken from Garadagh and Galmaz Underground Gas Storages and gas to the extent of 1853.1 mln. cubic meters was injected in 2014.

The actions were carried out in gas transportation in 2014 are as follows:

- Reconstruction of 0-210 km part was started under design for "Gazimammad-Gazakh" I line Ø1020 mm gas main in order to improve gas supply of "Azerbaijan" Heating Power Station in the capacity of a key strategic site which located in Mingachevir city, as well as of western regions. Ø1020 mm pipeline to the extent of 24000 r/m at 114-138 km section was reconstructed and connected to the existing pipeline. The works at other areas were continued by "Oil & Gas Construction" Trust.
- Ø1020 mm pipeline to the extent of 3425 r/m at 270-273.5 km section of "Gazimammad-Gazakh" II line gas main was reconstructed through new pipes and put into operation. Because, there occurred frequent gas leakages in this part due to unsatisfactory technical condition of the pipe.
- Newly laid "Mingachevir" GDS Ø720 mm offtake gas pipeline to the extent of 12000 r/m was connected to "Gazimammad-Gazakh" CGC II line Ø1220 mm gas main at 210th km and put into operation in respect to uninterrupted, reliable and safe gas supply of "Mingachevir AzHPS" in the capacity of a strategic site.
- "Mingachevir" GDS - "Mingachevir AzHPS" Ø720 mm gas pipeline to the extent of 5526 r/m was reconstructed and put into operation.
- Subsurface pipeline to the extent of 2154 r/m was laid and overhauled for "28 May (Aran)" GDS Ø159 mm gas pipeline.
- Ø300 mm pipeline to the extent of 14812 r/m was reconstructed at Ø325 mm 114-154.4 km section of "Yevlakh-Balaken" CGC and connected to the existing pipeline in order to improve gas supply of western regions, including Balaken region.
- 2960 r/m part of "Ujar-Zerdab" offtake gas pipeline was reconstructed in Ø325 mm pipes and connected to the current running pipeline.
- Ø325 mm subsurface pipeline to the extent of 8259 r/m was laid and put into operation under overhaul of 26-48 km part of "Yevlakh-Nakhichevan" Ø720 mm gas main belonged to Agdam MGCS.
- Ø530 mm new offtake gas pipeline to the extent of 6564 r/m was laid and put into operation in order to improve gas supply of Khachmaz region and Khachmaz Module ES.

- 5000 m part of “Yalama-Khudat” Ø219 mm offtake gas pipeline was reconstructed and put into operation.
- 325x8 mm steel pipes to the extent of 5300 r/m were laid and put into commission at the site of construction of gas main at “30th area GDS-Gazanlar GDS”.
- Subsurface gas pipeline to the extent of 1200 r/m was laid and put into operation at the site of construction of new GSP and Ø530 mm gas pipeline for gas supply of Narimanov district in respect to construction of Baku Olympic Stadium.
- 4500 r/m part of “GNAS-Garachukhur GDS 1” Ø530 mm gas pipeline belonged to Absheron MGCS was overhauled and put into operation.
- Replacement of 0-14 km section of “Sumgayit-Yashma” Ø530 mm gas main with 315 mm polyethylene pipes was completed and in total, polyethylene pipes to the extent of 14280 r/m were laid and put into operation.
- Ø530 mm pipeline to the extent of 3822 r/m was laid and put into operation at the site of overhaul of “Gum adasy-Bayramzade IEM” Ø700/500 mm gas main.
- Pipeline to the extent of 8850 r/m was laid and put into operation at the site of overhaul of “Pirallahy-Gala” Ø325 mm gas main.
- 2573 r/m part of “Zabrat-1” GDS Ø225 mm offtake polyethylene gas pipeline was replaced with Ø219 mm steel pipes and put into operation.
- Pipeline to the extent of 1214 r/m was laid and commissioned at 40-42 km section of “Galmaz Gazimammad” II line Ø720 mm gas main being at the balance of Hajigabul MGCS.
- Ø325 mm pipeline to the extent of 22053 r/m was laid and commissioned at the site of overhaul of “Gobustan-Shirvan” gas main.
- Subsurface pipeline to the extent of 1785 r/m was laid at the site of overhaul of “Kendoba GDS” Ø159 mm offtake gas pipeline.
- Overhaul works were performed by replacing Ø530 mm pipes to the extent of 8189 r/m at 22-46 km section of “Azadkend-Imishli” gas main being at the balance of Astara MGCS and Ø325 mm pipes to the extent of 3185 r/m were laid and commissioned at 62-99 km section. The works at this site were ongoing.
- Gas measuring units, such as Azadkend area at 174 km section of “Astara-Gazimammad” gas main, Chukhuryurd area at 43 km section of “Altiagaj-Agsu” gas main, Jirdakhan connected at 201 km section of “Gazimammad-Gazakh” I line gas main, Garayazy, Garamusaly and Garameryem over “Gazimammad-Gazakh” gas main, were upgraded and commissioned as per requirements of normative technical documents in order to ensure more accurate record of natural gas.
- Camp cars for operators were assembled at 25 gas distributing stations and operator premises were overhauled and areas were accomplished at 23 gas distributing stations.
- 17 gas heating furnaces were installed at gas distributing stations in view of gas quality indices.
- New module type automatically controlled gas distributing stations were fabricated and put into operation by “Fiogas” company of Turkey at “Ovchubere” and “Khirmandaly” points being in the possession of Astara MGCS.
- 18 cathodic protection units and 5 drainage facilities were installed according to overhaul programme for 2014.
- In total, 18 flow gas chromatographs, such as 9 gas chromatographs commissioned in 2013, 6 gas chromatographs commissioned in 2014, were fixed at service areas of MGCSs belonged to Gas Export Department, including interstate gas measuring stations and, power stations and intermain gas measuring points of “Azerenergy” JSC in respect to identification of physical and chemical properties of gas. Commissioning of 3 gas chromatographs fixed at delivery points of “Azneft” Production Unit was planned for the beginning of current year.

So, gas pipelines newly installed for gas main area totalled to 50.6 km and gas pipelines overhauled, totalled to 98.1 km in 2014. Number of newly installed gas distributing and regulatory points was 5, overhauled gas distributing and regulatory points was 24 in 2014.



The actions were carried out in gas supply in 2014 are as follows:

Gas pipelines totally to the extent of 353.9 km on “Azerigaz” Production Unit were overhauled in 2014, including gas supply network of Baku city to the extent of 190.3 km, gas supply network of the regions to the extent of 163.6 km.

New gas pipelines totally to the extent of 1436.6 km were installed in 2014, including gas supply network of Baku city to the extent of 149.6 km, gas supply network of the regions to the extent of 1287.0 km.

In total, 183671 domestic gas meters were installed and replaced in apartments of the subscribers in the reporting year, including 67502 meters in Baku city, 116169 meters in the regions. The provision level of domestic gas meters for subscribers who supplied with natural gas reached to 99.99% for overall Republic.

97748 “smart-card” type domestic gas meters were installed and replaced for subscribers, including 66600 meters in Baku city and 31148 meters in the regions.

58 localities were supplied with gas by “Azerigaz” PU in 2014 and they received natural gas.

The number of new subscribers supplied with gas totaled to 84757, including 32560 subscribers in Baku city and 52197 subscribers in the regions in 2014.

The number of the subscribers using natural gas was 1710004, including 721674 subscribers in Baku city and 988309 subscribers in the regions up to 01.01.2015.

The number of the subscribers provided by gas meters was 1709983, including 721674 subscribers in Baku city and 988330 subscribers in the regions up to 01.01.2015.

The number of the subscribers provided by “smart-card” type gas meters was 894643, including 664752 subscribers in Baku city and 229891 subscribers in the regions up to 01.01.2015.

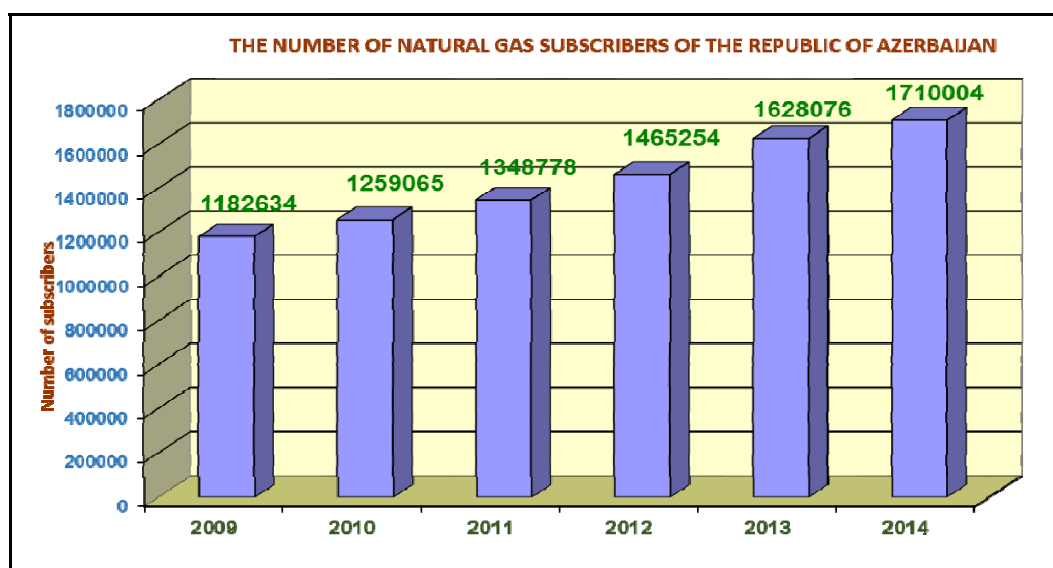


Diagram VII.1

VIII. OIL REFINERY

Oil refinery. In 2014 the employees of SOCAR oil refinery complex worked successfully for providing the demand of our country on oil derivatives and for implementing the commitments of the Company on exporting oil derivatives as every year. 6740.5 thousand tons crude oil were processed at SOCAR refinery complex in 2014. Out of the crude oil refined in the reporting period, there derived 1238.3 thousand tons gasoline, 709.0 thousand tons jet kerosene, 2264.9 thousand tons diesel fuel, 184.2 thousand tons liquid gas, 262.9 thousand tons petroleum bitumen, 260.1 thousand tons coke and other products. The processing depth totaled to 93.2% as a result of actions taken in 2014 (Table VIII.1).

Oil refinery and production of oil derivatives in 2013-2014

Table VIII.1 (in thousand tons)

	2014			2013	
	Forecast	Actual	%	Actual	%
Oil refinery-total	6700,0	6740,5	100,6	6533,0	103,2
including H.Aliyev Baku Oil Refinery	4600,0	4738,2	103,0	4241,3	111,7
“Azernefityagh” Oil Refinery	2100,0	2002,3	95,3	2291,7	87,4
Gasolines - total	1595,5	1442,3	90,4	1514,5	95,2
including petrol	1477,9	1238,3	83,8	1407,1	88,0
Out of A-95	240,0	25,7	10,7	160,9	15,9
A-92	1228,9	1206,3	98,2	1234,9	97,7
A-80	9,0	6,3	70,0	11,3	55,8
Oil fractions for chemistry	117,6	204,0	173,5	107,4	189,9
Jet kerosene	654,2	709,0	108,4	703,2	100,8
Diesel fuel:	2293,3	2264,9	98,8	2307,5	98,2
Light-colored products	4543,0	4416,2	97,2	4525,2	97,6
Liquid gas, in total	266,3	184,2	69,2	244,0	75,5
Treated dry gas	100,0	57,2	57,2	52,5	108,9
Engine fuel DT	347,5	106,1	30,5	187,9	56,5
Lubricant oils	67,4	53,1	78,8	46,6	113,9
Furnace fuel oil	230,3	205,4	89,2	268,0	76,6
Oil bitumen	296,5	262,9	88,7	312,7	84,1
Oil coke	234,5	260,1	110,9	223,0	116,6
Processing depth	92,7	93,2	100,5	92,1	101,2

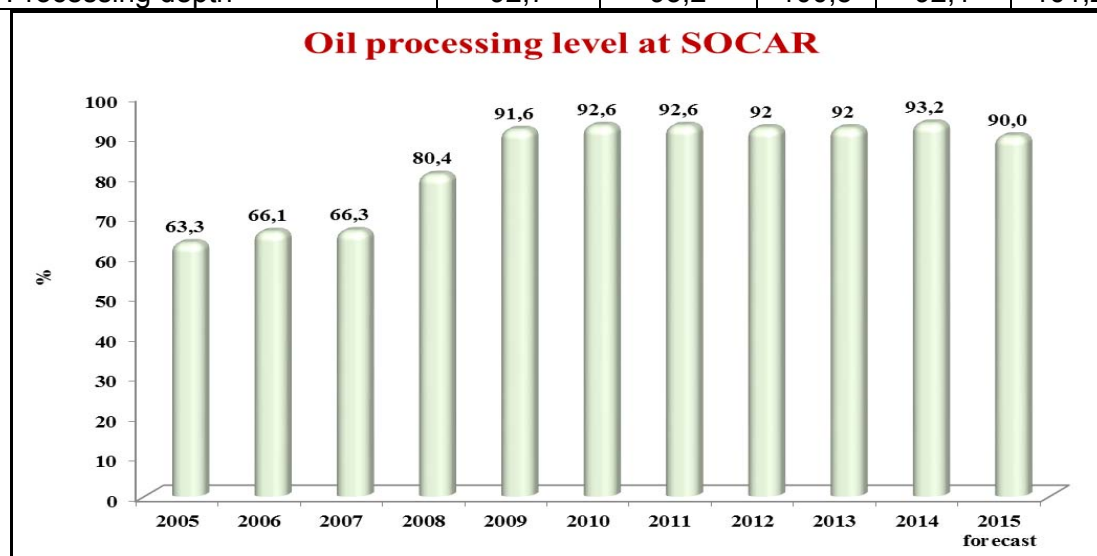


Diagram VIII.1

65% of overall petroleum derivatives produced within the year was exported to domestic market, the remaining 35% was exported abroad. 60% of the exported products consisted of diesel and coke. Output of petroleum derivatives was considered in Table VIII.2 subject to dependency from loading of running processing units with crude in refineries.

Information on loading of processing units with crude in refinery complex of SOCAR

Table VIII.2 (in thousand tons)

Units	2014			2013	
	Forecast	Actual	%	Actual	%
At Baku Oil Refinery:					
Roughing-out unit N21	4628,00	4746,09	102,6	4256,19	111,5
including residual oil	0,00	7,89		14,91	52,9
Catalytic reforming unit	729,00	589,12	80,8	539,07	109,3
Delayed coking unit	1202,68	1333,88	110,9	1239,26	107,6
Fluid catalytic cracker	1896,27	1593,56	84,0	1996,46	79,8
Hydrotreatment section	2491,30	2147,11	86,2	2214,84	96,9
At "Azorneftyagh" Oil Refinery:					
Roughing-out unit N202	1000,00	1136,78	113,7	1258,15	90,4
including residual oil	-	26,30		24,49	107,4
Roughing-out unit N305	1100,00	891,80	81,1	1058,01	84,3
Bitumen output unit	297,99	264,02	88,6	314,09	84,1
Hydrotreatment unit	827,05	225,27	27,2	323,26	69,7

Off-schedule overhaul and maintenance of processing units caused to non-fulfilment of refinery forecast in some processing units.

Data on output interests of designated products in processing units featuring efficient refinery of crude and consumption of crude for designated products in plants are reviewed in Table VIII.3.



Information on output interests of designated products in processing units (%)

Table VIII.3

Units	2014			2013	
	Forecast	Actual	Difference	Actual	Difference
Roughing-out unit N21	46,3	45,1	-1,2	45,7	-0,6
Catalytic reforming unit	83,0	83,0	0,0	83,0	0,0
Delayed coking unit	68,5	67,7	-0,8	64,8	2,9
Fluid catalytic cracker	58,0	56,0	-2,0	56,9	-0,9
Roughing-out unit N202	52,4	54,8	2,4	54,8	0,0
Roughing-out unit N305	52,5	50,7	-1,8	52,7	-2,0
Bitumen output unit	99,5	99,5	0,0	99,5	0,0

As evident from the Table that plan on output interests of designated products in all processing units was not fulfilled except to roughing-out unit N202, delayed coking units and fluid catalytic cracker in 2014. In the reporting year output of designated product in roughing-out unit was fulfilled as 1.2%, in delayed coking unit fulfilled as 0.8%, in catalytic cracker fulfilled as 2.0%, in roughing-out unit N305 was fulfilled as 1.8% shortage.

About the losses of oil and petroleum derivatives. Design and regulation documents of each processing unit operated in oil refinery complex show data on loss norms generated during the process. Therefore, the formation of the losses depends on the volume of the raw material processed in roughing-out units during forecast in plants. The staff of the oil refinery plants carried out systematic works in the direction of the minimizing the losses. As a result, the amount of the losses were lower from the expected amount by norms for the actually refined raw material to the extent of 1.7 thousand tons or 0.03% in H. Aliyev Baku Oil Refinery, the amount of the losses were lower to the extent of 5.3 thousand tons or 0.26% in “Azerneftlyagh” Oil Refinery in 2014. Total amount of the losses in overall refinery complex were lower from the expected amount by the forecast norms for the actual refining to the extent of 7.0 thousand tons.

About the consumption of catalyzer and reactant. Different catalyzers and reactants are used for the normal operation of each process according to the regulations in technological units running at the plants. Different catalyzers and reactants were saved to the extent of 2.6 thousand tons at the refineries in the reporting year that 2.0 thousand tons out of it were sodium chloride, sulphate acid and gumbrine.

About the consumption of fuel and energy resources. Taking into consideration the major role of the consumption of fuel and energy resources in the formation of expenses concerning the production of petroleum derivatives, information related to their consumption were reviewed in the reporting year (Table VIII.4).

About the consumption of fuel, thermal and electrical power in oil refinery complex in 2014

Table VIII.4

Indicators	Unit of measurement	Consumption on norm	Actual consumption	Savings (-) surplus consumption (+)
H. Aliyev Baku Oil Refinery				
Fuel	tfe	575384	563883	-11501
Electrical power	ths. kW/h	442784	364371	-78413
Thermal power	Hcal	535082	406559	-128523
<i>Utilizator boilers</i>	->-		380474	
<i>From S-2 furnace</i>	->-		26085	
“Azerneftlyagh” Oil Refinery				
Fuel	tfe	74036	66848	-7188
Electrical power	ths. kW/h	96023	59609	-36414
Thermal power	Hcal	432216	295912	-136304
Total:				
Fuel	tfe	649420	630731	-18689
Electrical power	ths. kW/h	538807	423980	-114827
Thermal power	Hcal	967298	702471	-264827

*tfe – ton fuel equivalent

Analysis of the information on the consumption of fuel and energy resources indicates that process fuel, thermal and electrical power resources were utilized efficiently. As a result of different organizational and technical actions carried out in the direction of the reducing of energy resources at the refineries, process fuel was saved to the extent of 18.7 thousand tons, electrical power was saved to the extent of 114.8 mln. kW/h and thermal power was saved to the extent of 264.8 thousand Hcal.

Gas processing and derivatives from gas processing. Main indicators about the processing of natural gas and output of finished products on Gas processing plant were as follows in 2014 (Table VIII.5):

Information on processing of natural gas and output of finished products in gas processing plant in 2014

Table VIII.5

Products	Unit of measurement	2014			2013	
		Forecast	Actual	%	Actual	%
Natural gas	mln m ³	4100,00	3655,32	89,2	3768,83	97,0
Treated dry gas	mln m ³	4022,80	3611,63	89,8	3703,00	97,5
Technical butane	ths. tons	26,20	17,75	67,7	18,67	95,1
Gas-gasoline (naphtha)	ths. tons	28,00	28,77	102,8	31,05	92,7

Evidently, actually gas to the extent of 3655.32 mln m³ were processed in the plant and the forecast parameters were complied to the extent of 89.2% in the reporting year. The compliance of the processing forecast with shortage was related to the low volume of the gas as compared to the forecast handed over to the plant by "Azneft" PU. This indicator was to the extent of 97.0% in comparison with the relevant indicator of 2013. Technical butane was produced to the extent of 17.75 thousand tons and gas gasoline to the extent of 28.77 thousand tons alongside with the treated gas to the extent of 3611.63 mln. m³ in the plant during 2014.

The whole volume of output gas gasoline was delivered to "Azneft" PU as a crude for reprocessing and 75.7% of technical butane was delivered to "Azerikimya" PU as a crude and 24.3% to sales for the internal market.

The production of petrochemicals. As a result of the stabilization of the production activity and improvement of the level of raw material, material and technical support in the processing enterprises "Azerikimya" PU finished the reporting year with the following technical-economic indices as compared to 2013 (Table VIII.6).

Some main indices of "Azerikimya" PU in 2014

Table VIII.6

Description of products	Unit of measurement	2014			2013	
		Forecast	Actual	%	Actual	%
Crude	ton	383000	373355,1	97,5	287263	130
Polyethylene	ton	91125	101035,5	110,9	76186,4	132,6
Ethylene	ton	93492	104041,5	111,3	78468,9	132,6
Propylene	ton	96848	56493	58,3	40848	138,3
Butane-butylene fraction	ton	41870	30164	72	24815	121,6
Liquid pyrolysis resin	ton	54359	71770	132	55385	129,6
Hard pyrolysis resin	ton	8880	18723,3	210,8	15295,1	122,4
Pure IPS	ton	15000	10570,3	70,5	13825,6	76,5
Total of output	ton	418975	405423,9	96,8	320176,8	126,6
Total of commodity output	ton	295997	280366	94,7	215381,4	130,2
Total of commodity output	thousand Manat	180419,9	181347,6	100,5	138809,0	130,6

Petrochemistry raw material to the extent of 373.35 thousand tons were processed and 104.0 thousand tons ethylene, 56.5 thousand tons propylene, 120.6 thousand tons other valuable pyrolysis products were delivered in "Azerikimya" PU in 2014. Actual output interest of olefins in pyrolysis unit EP-300 totaled to 43.0%. Number of polyethylene produced within the year totaled to 101.0 thousand tons. Processing of crude and output of prime products in the reviewed period increased as 30-32% in comparison with relevant period of the year.

Information on the fuel, thermal and electrical power used at “Azerikimya” PU in 2014 are shown in the following table (Table VIII.7).



The consumption of fuel, thermal and electrical power in Azerikimya PU

Table VIII.7

No	Energy resources	Unit of measurement	Consumption on norm	Actual consumption	(-savings) (+surplus consumption)
1	Cumulative Fuel: including: natural gas methane-hydrogen fraction	ths. m ³	425154 265422 159732	384273 230698 153575	-40881 -34724 -6157
2	Electrical power	ths. kW/h	235925,3	234680,8	-1244,5
3	Thermal power	hcal	2008494	1633598	-374896
4	Technical water Jeyranbatan	ths. m ³	5929,3	4582,48	-1346,82

As evident from the table, fuel and thermal energy were economically used in refineries of “Azerikimya” PU in the reporting year.

9.6% of petrochemicals produced and sent for sale were sold in the domestic market and 90.4% were exported in 2014.



IX. PRIME COST

The ultimate products of SOCAR are oil, gas and petroleum derivatives. 85-90% of prime cost of petroleum derivatives constituted the expenses spent for crude oil. Therefore, analysis of prime cost of oil and gas are important. Prime cost is reviewed only on oil and gas production departments of SOCAR.

Production prime cost for per ton oil was 91.63 Manat in 2014 and it reduced to the extent of 1.33 Manat or 1.4% as compared to the appropriate period of the previous year.

The actual costs spent by Company to the oil production are shown in the following table.

Table IX.1

Cost items	Unit of measurement	2014	Share	2013 (comparison)	Share
Utilized materials and components	thousand Manat	35491	5,4	41431	6,2
Fuel costs	->-	1435	0,2	1987	0,3
Electricity costs	->-	8496	1,3	8488	1,3
Salary expenses	->-	108130	16,4	117782	17,7
Social insurance and expenses of pension fund	->-	21060	3,2	22654	3,4
Depreciation of fixed assets	->-	102474	15,6	91548	13,8
Overhaul expenses	->-	85116	12,9	94872	14,3
Maintenance costs for fixed assets	->-	13968	2,1	12484	1,9
Exploitation of transport and transport means	->-	110795	16,8	103272	15,5
Security expenses	->-	14289	2,2	14411	2,2
Mine tax	->-	75369	11,4	75264	11,3
Other taxes	->-	29408	4,5	26179	3,9
Other services	->-	34555	5,2	40080	6,0
Other costs	->-	17767	2,7	15276	2,3
Total production expenses	->-	658353	100	665728	100
Spent expenses for the commercial product	->-	621491		630151	
Commercial product	ton	6782935		6778929	
Cost price of per ton oil	Manat	91,63		92,96	
Administrative costs of OGPDs		32206		32611	
Assessment of change of internal turnover and residuals	thousand Manat	4656		2966	

Share of the material and component costs in the composition of total output expenses spent for oil production on SOCAR amounted to 5.4%, salary to 16.4%, social allocations to 3.2%, depreciation of fixed assets to 15.6%, repair costs to 12.9%, maintenance costs to 2.1%, transportation costs to 16.8% and mine tax to 11.4% etc.

The actual production prime cost of 1000 m³ gas was 37.19 Manat in 2014 and it increased to the extent of 3.71 Manat or 11.1% as compared to the previous year.

The actual costs spent for the gas production on Company are shown in the following table.

Table IX.2

Cost items	Unit of measurement	2014	Share	2013 (comparison)	Share
Utilized materials and components	thousand Manat	9728	4,0	11356	5,0
Fuel costs	->-	378	0,2	524	0,2
Electricity costs	->-	796	0,3	795	0,4
Salary expenses	->-	25738	10,6	25388	11,2

Social insurance and expenses of pension fund	->-	5164	2,1	5555	2,5
Depreciation of fixed assets	->-	71499	29,4	60901	26,9
Overhaul expenses	->-	25286	10,4	26755	11,8
Maintenance costs for fixed assets	->-	4766	2,0	1299	0,6
Exploitation of transport and transport means	->-	39978	16,5	33558	14,8
Security expenses	->-	3398	1,4	3427	1,5
Mine tax	->-	37402	15,4	38482	17
Other taxes	->-	8217	3,4	7315	3,2
Other services	->-	6987	2,9	8104	3,6
Other costs	->-	3472	1,4	2976	1,3
Total production expenses	->-	242809	100	226435	100
Spent expenses for the commercial product	->-	208052		195236	
Commercial product	thousand m ³	5593939		5831635	
Cost price of 1000 m³ gas	Manat	37,19		33,48	
Administrative costs of OGPDs		27376		26498	
Assessment of change of internal turnover and residuals	thousand Manat	7381		4701	

Share of the material and component costs in the composition of total output expenses spent for gas production on SOCAR amounted to 4.0%, salary costs to 10.6%, social allocations to 2.1%, depreciation of fixed assets to 29.4%, repair costs to 10.4%, maintenance costs to 2.0%, transportation costs to 16.5% and mine tax to 15.4% etc. Prime costs of 1000 m³ commercial gas increased as 3.71 Manat (11.1%) as compared to 2013 on SOCAR. Therefore, let us compare production prime cost of total output unit (without mine tax) indicators on table.

Table IX.3

	Production prime cost of total output (without mine tax), in Manat		In comparison with 2013	
	2014	2013	%	+,-
1. Oil, 1 ton	80,51	81,85	-1,6	-1,34
2. Gas, 1000 m ³	30,51	26,88	13,5	3,63

As evident from the Table, the prime cost of oil reduced and the prime cost of gas increased in all activities of SOCAR. Increasing of the prime cost of gas was due to depreciation of fixed assets, exploitation of transportation and transport means and other costs as compared to the last year. So, expenses for depreciation of fixed assets increased as 10598 thousand Manat (17.4%), expenses for exploitation of transportation and transport means as 6420 thousand Manat (19.1%) and other costs increased as 496 thousand Manat (16.7%). Analysis shows that increasing of the prime cost of gas is due to rising of associated production expenses.



X. PERSONNEL AND SALARY

Personnel and salary division (hereinafter referred to as Division) covers preparation of guidance documents, organization and control over application of proper legislative provisions upon such documents relative to labor (work, management) organization, payment and norming in structural units of SOCAR. The Division relies on applicable law and other statutory documents in view of the aforesaid activities; makes studies for execution of such activities abided by existing rules and procedures; gives opinions and proposals on results.

Furthermore, it ensures execution of other issues which not foreseen in Action Plan of the Division, but relevant to its functions. So, numerous requests of SOCAR departments and of the employees working in such departments concerning working conditions are reviewed and performed duly.

As a rule, works related to functions of the Division are reviewed by the Commission and recorded in a proper manner according to Regulation of "Standing Commission on determination of labour norms, organizational charts and cost-benefit calculations within the departments of the Company management structure" which established under due order of SOCAR.

At the same time, works related to lines of activity of the Division are carried out in respect to new methods study and its application to be implemented on organizational structure of SOCAR meeting the requirements. It ensures arrangement and execution of works in view of statutory documents on labour organization and norming for Project team established under the Order 164 dated 21.11.2012 of SOCAR.

So, overall activity of the Division in 2014 is as follows:

The Division received 1773 documents in 2014. The received documents were duly executed after proper review by the relevant division.



Upon appropriate surveys, 504 requests out of the received documents were handed over to "permanently functioning Commission on determining the worktime standards, income and costs estimate and the organizational structure in the bodies constituting the management structure of the Company". 240 requests were about the making amendments in the personnel lists, approving the organizational structure and reviewing the optimal number of the employees of the bodies constituted the Company, 66 requests were about stimulation of laying off of surplus labor forces due to implementation of actions for optimization of number of SOCAR employees, 13 requests were about the application of "Rules on payment of the additional salary to the employees of SOCAR who participated in the execution of the commitments intended in the contracts signed between the enterprises and organizations of SOCAR and third parties", 65 requests were about the annual estimates of the administrative and maintenance costs and budget costs of the organizational structure of SOCAR, affiliate oil companies and representative offices, 30 requests were about the fixing "the additional payments for the senior administrative employees and according to authority" for the employees working in the organizational structure of the Company, 21 requests were on approval of "List of the determined professions and occupations with hard and harmful working conditions in the

enterprises and organizations of SOCAR”, 19 requests were on reviewing the personnel lists of representative offices of SOCAR and the amount of additional payments fixed for the employees working in those representative offices, 16 requests were on approval of the Regulations of the divisions and job descriptions of the employees of Head office, 7 requests were on the involvement of employees in overtime, 3 requests were on awarding, 6 requests were fixing additional payments allowed for in note part of Amendment 6 to “Regulation on labour payment of SOCAR employees” and 18 requests were on miscellaneous issues.

Out of the aforesaid 443 requests were replied positively and 26 requests were replied negatively at the sessions of the Commission, however 35 requests were approved through revisions by the Commission and/or the managements of the enterprises were entrusted with a task to address the issues within the framework of their authorities.

Also, the other 1614 requests and reports received were addressed properly and fulfilled accordingly. Average number of SOCAR employees in 2014 totaled to 56460 persons that as a subsequence, 9108 persons were reduced as compared to 2013 (65568 persons).

The main reasons of reducing average number of employees of the Company as 9108 persons (14%) in 2014 were related to execution of the following orders and statutory orders:

- According to statutory order on “Stimulation of laying off surplus labor forces due to implementation of actions for optimization of number of SOCAR employees under order 81 and 14-29a dated 03 July 2012 of SOCAR and the Republican Committee for Oil and Gas Industry Employees Trade Unions”, 2683 employees were paid 7527310 Manat, including 449 pensioners were paid 1621800 Manat as lump-sum dismissal payment to the extent of 5-fold of average monthly salary;
- Exclusion of Caspian Sea Oil Fleet from organizational structure of SOCAR according to Order SOCAR/13-1000/01/SM-05-000036 dated 30.12.2013;
- Restructuring pursuant to the Order SOCAR/13-1000/01/SM-05-000034 dated 27.12.2013 “On improvement of structure of Complex Drilling Works Trust” of SOCAR;
- Exclusion of Plugging and Strata Flow Rate Unit from organizational structure of “Azneft” Production Unit according to order SOCAR/14-1000/01/SM-04-000095 dated 22.09.2014;
- Restructuring of “Azerigaz” Production Unit respectively pursuant to the Order SOCAR/14-1000/01/SM-04-0000834 dated 21.01.2014; SOCAR/14-1000/01/SM-04-000045 dated 21.04.2014; SOCAR/14-1000/01/SM-04-000047 dated 25.04.2014; SOCAR/14-1000/01/SM-04-000059 dated 21.05.2014; SOCAR/14-1000/01/SM-04-000066 dated 12.06.2014; SOCAR/14-1000/01/SM-04-000073 dated 23.06.2014 of SOCAR;
- Restructuring respectively pursuant to the Order 13-10/01/SM-05-000032 dated 27.12.2013 “On improvement of structure of Oil Pipelines Department of SOCAR;
- Liquidation of “Kimyalayihe” Design Institute and Warehousing of “Azerikimya” Production Unit as well as restructuring of the Production Unit respectively according to Order SOCAR/14-1000/01/SM-04-000057 dated 16.05.2014 and Order SOCAR/14-1000/SM-04-000101 dated 10.10.2014
- Restructuring respectively pursuant to the Order SOCAR/14-1000/01/SM-04-000089 dated 31.07.2014 “On improvement of structure of “Oil and Gas Construction” Trust of SOCAR;
- Restructuring respectively pursuant to the Order SOCAR/14-1000/01/SM-04-000057 dated 20.02.2014 “On liquidation of Neftchi Sports-Health Centre of SOCAR;
- Liquidation of “Department for Cultural Mass Events, Rest Arrangement and Facilities under the Order 160 dated 01.11.2013 of SOCAR;
- Proper actions were carried out regularly for optimization of number of employees in the enterprises and organizations of SOCAR within 2014 in relation to execution of statutory order on “Stimulation of laying off surplus labor forces due to implementation of actions for optimization of number of SOCAR employees” under order 81 and 14-29a dated 03 July 2012 of SOCAR and the Republican Committee for Oil and Gas Industry Employees Trade Unions.

Reduction of average number of employees of enterprises in 2014 in comparison with 2013 (9108 persons) was as follows:

- Exclusion of Caspian Sea Oil Fleet from organizational structure of SOCAR (4170 persons);
- Azneft Production Unit 599 persons;
- Azerikimya Production Unit 557 persons;

- | | |
|--|---------------|
| - Azerigaz Production Unit | 1356 persons; |
| - Geophysics and Geology Department | 332 persons; |
| - Oil Pipelines Department | 170 persons; |
| - H.Aliyev Baku Oil Refinery | 138 persons; |
| - "Azerneftiyagh" Oil Refinery | 135 persons; |
| - Social Development Department | 954 persons; |
| - Security Department | 1700 persons; |
| - "Oil and Gas Construction" Trust | 428 persons; |
| - Complex Drilling Works Trust | 1045 persons; |
| - "Oil and Gas Scientific Research Design" Institute | 87 persons; |
| - Other enterprises | 103 persons. |
- Transportation sectors (together with employees) running in SOCAR structures were transferred to the newly established Transport Department in respect to execution of the Order SOCAR/14-1000/01/SM-04-000003 dated 17.01.2014 "On re-organization of transport management structure".
 - Average number of employees of Transport Department totalled to 5432 persons by increasing as 2169 persons.
 - Salary structure is reviewed and adequate proposals are developed on the basis of reports on salary and other payments being its equivalent calculated for enterprises included in structure of the Company.
 - Totally calculated salaries and other payments on SOCAR amounted to 597.62 mln. Manat in the reporting period that so, this figure is lower as 62.76 mln. Manat or 10% as compared to 2013 (660.39 mln. Manat).
 - Within the totally calculated salaries and other payments for the employees the amount of the tariff salaries was to the extent of 324.2 mln. Manat or the share in the wage fund was to the extent of 54.24% in 2014.
 - Average monthly salary of the Company employees amounted to 882.08 Manat. In comparison with 2013 (839.32 Manat), it increased as 42.76 Manat or 5%.
 - The information on status of the balance of usage of the working time in structural organizations of the Company is analysed and proper proposals are developed.
 - Thus, maximum possible working time fund made 11501347 man/day in 2014 and 94% or 10843455 man/day of this time was used efficiently. Average monthly working time per one person is 16 man/day, overtime work per man made 1434197 man/hour totally. Overtime work per one person constituted 3.5 man/day.
 - The outcomes of attestation of work places conducted duly in the enterprises and organizations upon review by the division were submitted to the Central Attestation Commission to be considered and necessary documentation works were provided for relevant actions according to decision of the Commission.
 - Proper measures were assumed in order to determine and formalize list of work places at unfavorable climatic conditions and adequate statutory increase coefficients of tariff salaries.
 - The performers were encharged with appropriate methodical instructions and were supervised concerning rational application of the established increases to tariff salaries of the employees working in the enterprises and organizations, including statutory mark-ups due to hard and hazardous production factors and unfavorable climatic conditions.
 - In respect to establish compliance of payment of salary of the employees working in the organizational structure of the SOCAR to the applicable legislation and statutory documents of the Company, significant monitorings were carried out and there implemented general control over correct calculation of salaries of the employees.

XI. MECHANICS AND ENERGETICS

Mechanics and energetics division of SOCAR closely took part in carrying out appropriate measures for fulfillment of government tasks by providing technical and methodical direction over energetics and mechanics services in structural units on the basis of norms and guidelines in exploration, development, production, processing, storage, transportation, distribution and usage of energy materials and products within January-December 2014.

It increased control over certain operations and provided technical supervision over relevant organizations in regard to running electric equipment and facilities and extension of the facilities operating life and overhaul period in view of continuous and reliable maintenance of electricity supply of enterprises and organizations of SOCAR.

Preparatory works were carried out for autumn-winter seasons of 2014-2015 years, overhaul and current repair, corrective maintenance and pre-commissioning works were duly carried out in the power equipment, mechanical and energy facilities as well as power transmission lines.

The fulfillment of current repairs of pump jacks, pumping plants and electricity units and equipment of control panels of electrical engines under the plan and the replacement of electric engines with the new ones were provided accordingly in mechanics and energetic facilities.

The electrical power was supplied on time for newly onstream drilling wells and the installation of casing equipment in the newly drilled wells were implemented.

As a result of the measures carried out, lack of power supply was eliminated and power reserve was increased and early failure cases were minimized by enhancing energy quality.

The following works provided for enterprises were carried out in a planned manner in order to ensure safe and reliable operation facilities and equipment running in the balance of enterprises and departments.

The works performed in electrical facilities of several departments for promotion of reliability of uninterrupted electricity supply of oil and gas production fields of "Azneft" Production Unit in order to implement Government tasks, to stabilize their level and to enhance partially oil&gas production, delivery and other indices in 2014 are as follows:

1 gas-turbo generator AOQ143011 in gas turbine power station was sent to Ukraine for overhaul.

High-voltage cable lines feeding all electric consumers in the area of "Neft Dashlary" OGPD and "Neft Dashlary" field of "28 May" OGPD were connected to 6 kV distribution unit and, power supply was provided through new gas turbine power station.

New close substation 6/35 kV in the area of new gas turbine power station was commissioned and power supply of Chilov island was provided through new gas turbine power station. 2 utiliser water heaters were replaced at gas turbine power station 48.

Compressor units were additionally installed and commissioned, such as 4 compressors in site 1100 and 2 compressors in site 1201 for collection of low-pressure gas and 5 new modern compressor units were commissioned in Fixed Drilling Offshore Platform 1887 and second subsea cable line was put into operation between jackets 1887-2585 and jackets 619-2150.

There laid and commissioned new 6/35 kV substation at "Chilov" island of "28 May" OGPD and 35 kV subsea (23.4 km) cable lines between "Neft Dashlary" and Chilov island.

Subsea cable lines 3 at 35 kV capacity between GTPS-48 and deep water jacket 2 and subsea cable lines damaged at 6 kV capacity between deep water jacket 5-2 and deep water jacket 8-19, were repaired and commissioned, overhaul of electricity supply between deep water jacket 6 and deep water jacket 8 was completed, new 3 km cable lines at 6 kV capacity were installed and commissioned between new 6/0.4 kV distribution units and gas lift compressor station at deep water jacket-2-4 for construction of gas lift compressor station at deep water jacket 4 within "Neft Dashlary" OGPD.

17 kV electric transmission lines were replaced with self-carrier insulated wires (SIP cables), substations 8 and 9 were constructed, electric equipment were installed, toptrestle cable lines feeding from substations were laid and commissioned in the area of Oil & Gas Production Station (OGPS) of "Absheronneft" OGPD.

Subsea cables were laid at 420 m length between Fixed Drilling Offshore Platforms 340 and 670. Trestle cable XLPE 1x95 mm² was connected into newly laid subsea cable lines at 500 m length and 1 TM-630 kVA power transformer was installed and commissioned on account of internal resources at Fixed Drilling Offshore Platform 670.

Subsea cables were laid at 780 m length between Fixed Drilling Offshore Platforms 340 and 720. Trestle cable XLPE 1x95 mm² was connected into newly laid subsea cable lines at 500 m length and 1 TM-320 kVA power transformer was installed and commissioned on account of internal resources at

Fixed Drilling Offshore Platform 720. Besides, one 630 kVa power transformer was installed at Fixed Drilling Offshore Platform 670 and one 320 kVA power transformer at Fixed Drilling Offshore Platform 720 and electric equipment was put into operation trestle cable lines.

6 kV cable electric transmission lines were laid out between EYM-171 and EYM-407, between EYM-407 and EYM-482 within trestle platform N.Narimanov OGPD; 6 kV subsea cable electric transmission lines were laid out between DU111 and DU12 (NYM-1); DU12 (NYM-1) and DU110; DU26 and DU28; EYM34 and EYM441 to the length of 13.2 km, 6/0.4 kV DU was constructed and commissioned at EYM 607.

6/0.4 kV transformer point was constructed and put into use under the project "Reconstruction of the existing Gradir facility and pump house at OGPD".

0.4 kV electric transmission lines at 2000 m length were replaced with new ones and subsea cables at 3000 m length, 6 kV cable electric transmission lines at 6000 m length, 0.4 kV electric transmission lines at 2000 m length were repaired.

0.4 kV and 6 kV electric transmission lines at 2.5 km length were repaired, 0.4 kV cable joints and cable electric transmission lines at 2 km length were replaced with new cables and electricity supply of newly constructed NYM of OGPS 4 was installed and completed in order to increase reliability of electricity supply of A.Amirov OGPD.

6 kV cable electric transmission lines at 2.5 km length was installed and commissioned in order to increase reliability of electric supply in Galmaz site.

Unfit part of 6 kV electric transmission lines to the length of 1 km between substation 81 and DU 855 was overhauled and power equipment were installed and put into use at 4 hubs of 6 kV DU 810.

Construction-assembly works were completed at 9 substations, equipment were installed at 9 substations, devices and units were collected at internal part of 5 substations and cable lines were laid to the extent of 70 km under project "Transition from 2 kV power grid to 6 kV power grid".

Passing of 0.4 kV and 6 kV electric transmission lines which feed wells in Zagli area (OGPS 3) of "Siyazanneft" OGPD through forest massive creates problems. Therefore, 0.4 kV electric transmission lines at 3360 m length, 6 kV and 35 kV electric transmission lines at 5660 m length were cleaned from forest massive in the reporting period. Unfit part of 35 kV Zagli-Zeyva electric transmission lines to the length of 500 m were overhauled. Second 35/6 kV power transformer at 2500 kVA capacity was erected and commissioned in Zarat 35/6 kV substation.

Electric equipment were installed at second borehole drilling well 1515 and 0.4 kV electric transmission lines were laid among 4 posts and 6 kV electric transmission lines were laid among 4 posts and 250 kVA complex transformer point was erected in view of utilization of produced waters at OGPS 1 within H.Z.Tagiyev OGPD.

6 kV electric transmission lines were laid among 9 posts in order to launch second borehole drilling well 1369 and 2 kV electric transmission lines were laid among 10 posts in order to launch 250 kVA complex transformer point, 200 kW 6 kV electric engines second borehole drilling well 1507 and, 160 kVA complex transformer point and 0.4 kV electric equipment were commissioned.

Electric equipment of 2 transmission pumps were installed at NYM of OGPS 1 in view of utilization of produced waters and, 250 kVA complex transformer point was erected for well 7 in Zira area. 6 kV electric transmission lines were laid out among 5 posts and 0.4 kV electric transmission lines were laid out among 4 posts. Two 18.5 kVt electric engines were installed in oil pump house and 70 m cable line was laid and 6 kV electric transmission lines 1, 4, 6 passing from Mashtaga substation to compressor stations 16, 17 were overhauled.

Distribution unit 41 and 250 kVA transformer point was put into use within Bibiheybatneft" OGPD. 0.4 kV electric transmission lines were replaced with cable lines passing from such distribution units through to oil wells. Reliable power supply of 70 oil wells from operating stock was provided.

400 kVA transformer point was installed onto substation 102 - DU21 lines and put into use in order to supply 11 oil wells in respect to governmental event organized in the area.

In total, 0.4 kV cable lines at 5000 m length and 6 kV cable lines at 1786 m length (568 m between DU17 and DU94, 648 m between DU17 and DU104, 570 m between substation 109 and 250 kVA transformer point) were laid in 2014.

6 kV electric transmission lines were laid into well M-77 and 100/6/0.4 kV complex transformer substation was installed and put into operation within Muradkhanly INM, 4445 dirty insulators of 110 kV Sabirabad-Muradkhanly electric transmission lines were washed up, cleaned and were replaced with new ones.

6 kV electric transmission lines at 500 m length were strained, 110.35 and 6 kV electric transmission lines, including parts 110 kV - 2000 m, 35 kV - 5000 m and 6 kV - 1000 m, which make difficulties in

electricity supply were protected from woods on internal resources of the enterprise. Running maintenance and setup works for electric equipment of 35/6 kV and 6/0.4 kV substations were carried out and relay protection was checked up according to Routine Maintenance Schedules.

5 modern projectors were laid in order to improve lightning system of oil-mine areas, in particular NYM.

Construction of cable trestle from new 35/6 kV substation Galmaz up to control room was completed and commissioned within Gas Storage Operation Department.

Old 35 kV electric transmission lines were connected with Galmaz new 35/6 kV substation in order to increase reliability of electricity supply in Galmaz site and a meter was installed for recording of electric energy.

The works were completed and commissioned under the project "Reconstruction of compressor station 2 on Garadagh site" and power cables, control cables and handling buttons of six 37 kW electric engines located at gas cooling system of compressor station 1 on Garadagh site.

Reconstruction of 35/6 kV stepdown transformer substation providing electricity supply of Dashgil and Sumgayit OTSs within structural entities of Oil Pipelines Department, was completed.

Power cable lines were laid out for 6 kV electric engines at pump house 29 within Dubandi Operating Unit. 6 kV electric engine at 630 kW capacity was installed around jacket 6 at pump house 54 and 6 kV cables from substation 432 up to substation 29 were repaired and 10 connection couplings were fixed and 12 end couplings were fixed at substation 54.

6 vacuum switches were installed in DU1, new two-circuit 6 kV air transmission lines were laid and put into operation for feeding 35/6 kV Ramany substation 35 in order to increase reliability of site 1 of H.Aliyev Baku Oil Refinery.

AVBbSV 3x70+1x35 power cable at 350 m length and KVbSV 7x2.5 control cable at 350 m length were laid in order to feed electric engines of pumps through 0.4 kV lines in utilization unit of DU 63 within production facility 2.

2 high-voltage hubs were installed, vacuum switch was assembled and testing-setting works were carried out at production facility 4. Modern and soft launcher was installed and commissioned upon electric schemes of N322/1.2 pumps of delayed coker 43. Power cables at 260 m length and control cables at 260 m length were laid at trestle in order to feed and manipulate electric engine of pump newly installed through DU 38. Power cables at 1200 m length were laid upon DU 38 for control voltage. 0.4 kV cable lines at 250 m length were laid at trestle from DU 38 to RP 41.

Oil switch was replaced with vacuum switch and commissioned after testing-setting works in the hub feeding PK-102/E hydrogen compressor at DU 7 within production facility 5.

Power cables at 280 m length and control cables at 280 m length were laid at trestle through complex transformer substation 56 in order to feed and manipulate electric engine newly installed in kerosene fill trestle site of production facility 7.

The works for installation of 10/0.4 kV transformer at 100 kVA capacity at Salyan Gas Maintenance Area were completed in compliance with requirements of technical specifications and polyethylene sleeve was laid and such actions are ongoing for crossroad of cable line at N.Narimanov Gas Distribution Point in the capacity of performance of technical specifications obtained for electricity supply by "Azerenergy" JSC and "Bakuelektricshebeke" JSC in 2014.

20 MOSA diesel generators at 10 kVA - 66 kVA capacities were purchased and handed over into balance of the sites in respect to improvement of electricity supply of "Azerigaz" Production Unit in 2014.

Air compressors such as 164 pieces ADD, 3 pieces AREL, 5 pieces VVP 10/10 and PKSD-5.25D and welding sets such as 5 pieces Kama, 4 pieces MAGRU, 66 pieces Honda and 4 fixed diesel generators, 42 Vanquard light generators being at balance of sites of "Azerigaz" Production Unit were inspected, set and maintained.

Air compressors such as 17 pieces ADD and welding sets such as 1 piece MAGRU, 13 pieces Honda and 20 diesel generators and 1 Vanquard light generator as well as 3 light generators at 4.5 kVA - 7.5 kVA capacity being at balance of sites of "Azerigaz" Production Unit were maintained.

The following works were implemented in respect to increase of reliability of electricity supply of production sections within Complex Drilling Works Trust:

Main diesel generators CAT 3512 at 1200 kW capacity and auxiliary generators CAT 3406 at 400 kW capacity were installed in order to supply reliable and normal electric energy in wells 482, 483 at Garadagh field and well 1211 at Pirallahy field of "Garadagh-Galmaz" Production Section.

Running maintenance operations were performed in electric transmission line feeding electricity supply for drilling facilities, so, relay protection systems were set at 6/0.4 kV substation and setting and repair of vacuum switches, measurement of earthing resistance were provided at distribution units.

Lots of actions, such as coverage of substations, DU roofs and repair of doors/windows and maintenance of 6-0.4 kV electric transmission lines and main electric equipment, automatic connection of reserve voltage, check-up and setting of protection systems of high-voltage equipment and lines were carried out in respect to preparation of energy supplies of the Sections for autumn-winter seasons.

Repair-maintenance works were carried out in electricity supply of Ethylene-polyethylene plant of "Azerikimya" Production Unit and a number of proper actions were taken in respect to reduction of power supply losses:

435 electric engines, 100 electric valves and 22 light lines were subject to current maintenance within Ethylene production facility of Ethylene-polyethylene plant. 140 electric engines, 90 electric valves and 30 light lines were subject to current maintenance at "Synthesis" site 11 within Polyethylene production facility of Ethylene-polyethylene plant.

40 mVA transformers №1, №2 and 110 and 6 kV switches were inspected and relay protection system was checked at L-38 substation as well as 6 kV input switches were subject to current maintenance and 1000 kVA power transformer was inspected at L-44^{I,II} substation.

Two 63 mVA power transformers and input switches at MPM 3 substation were inspected.

4 set oil switches at L-44 substation which provide electric energy for Ethylene production facility of Ethylene-polyethylene plant were replaced with vacuum switches in order to supply reliable and uninterrupted electric energy. As a result, sustainability of electricity supply as well as selectiveness and reliability of electric protection systems of L-44 substation were enhanced in view of emergencies.

The following inspection works such as repair, setting and adjusting operations were carried out at distribution units in view of sustainable energy supply of 110/6 kV, 35/10 kV, 10/6/0.4 kV substations being at balance of Gas Main Stations belonged to Gas Export Department:

Diesel generators at 770 kVA, 630 kVA capacity were inspected and put in order and diesel generators at 1100 kVA, 75 kVA capacity and 8 diesel generators at 10 kVA capacity as well as 6 UPS facilities at 300 kVA capacity were inspected and put in order in respect to stable and sustainable electric supply of CGCSs belonged to Gas Export Department.

Appropriate actions were taken with regard to efficient use of electrical power, electric equipment under operation were replaced with lower capacity equipment by selecting options in compliance with more optimal working regime of processing units and if taking into account the energy consumed by the facilities granted to outside organizations, the power consumption declined as 18127 thousand kW/h in comparison with relevant period of 2013.

SOCAR enterprises and organizations consumed a total of 890559 thousand kW/h electric energy from energy supplying enterprises in January-December of 2014.

Including:

67397 thousand kW/h electric energy was purchased from "Azerenergy" OJSC, 680061 thousand kW/h from "Bakuelektrikshebeke" OJSC, 142058 thousand kW/h from "Sumgayitelektrikshebeke" OJSC and 1043 thousand kW/h from other organizations (**Diagram XI.1**);

Electric energy outsourced in the enterprises and organizations of SOCAR in January-December of 2014

"Azerenergy" OJSC	67397 thousand kW/h
"Bakuelektrikshebeke" OJSC	680061 thousand kW/h
"Sumgayit" OJSC	142058 thousand kW/h
Outside organizations	1043 thousand kW/h

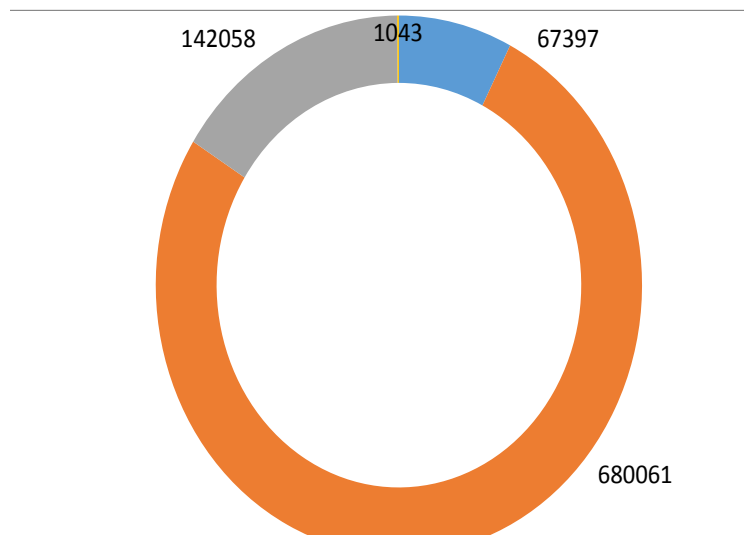


Diagram XI.1

In January-December of 2014, 98543 thousand kW/h electric energy was produced in “Azerikimya” PU and 148641 thousand kW/h in “Azneft” PU (including 142968 thousand kW/h in GTPS-48, 5673 thousand kW/h in DES) (Diagram XI.2);

Electric energy used in SOCAR enterprises and organizations in January-December of 2014:

“Azneft” PU	148641 thousand kW/h
GTPS-48	142968 thousand kW/h
“Azerikimya” PU	98543 thousand kW/h
DES	5673 thousand kW/h

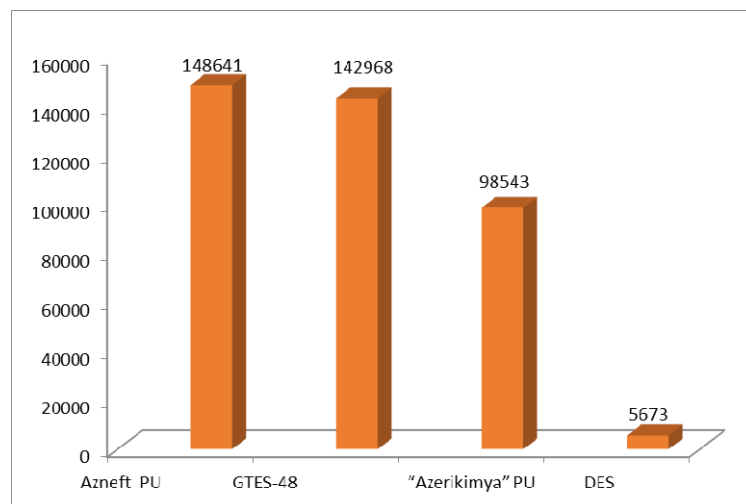


Diagram XI.2

Electric energy to the extent of 1132427 thousand kW/h was consumed for production in the structural enterprises and organizations of SOCAR in 2014. Moreover, 4973 thousand kW/h electric energy was sold to outside organizations and 343 thousand kW/h electric energy to the inhabitants of Chilov island respectively (Diagram XI.3).

Electric energy consumed in SOCAR enterprises and organizations in January-December of 2014:

For production	1132427 thousand kW/h
Sold to outside organizations	4973 thousand kW/h
Sold to population	343 thousand kW/h

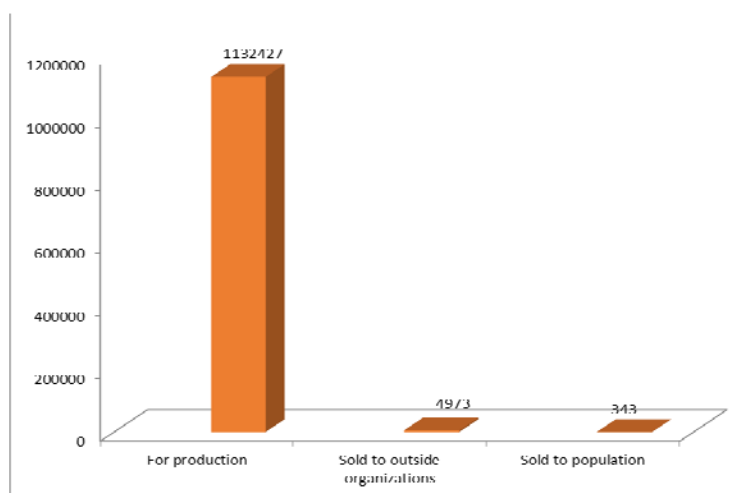


Diagram XI.3

Relevant works were regularly controlled in respect to taking actions on efficient use of energy resources and prevention of illegal consumption of electric energy.

Although there were interruptions in power supply to the enterprises, departments and organizations of SOCAR due to failures in the electric system and network of energy supplying enterprises, no stagnation was allowed through the fault of personnel operating the intra-field power network.

Testing and adjustment works to the extent of 2712115 Manat were carried out in electrical installations and equipment, while overhaul works were performed for electric equipment to the extent of 924181 thousand Manat and for drilling and oil-mine facilities to the extent of 2072541 Manat in 2014. The operating hours of such equipment were extended and they were returned to operation.

Four Centaur-40 gasturbine engines and one C-306 centrifugal compressor at SCS of "28 May" OGPD were overhauled, installed and put into operation.

Two UNB 160x40 aggregates over Kamaz chassises, one VN 120/80 pump unit, two VU 0.6/13M1, PV 3091-7.5 - 500 type compressors, one NSP 125x400 diesel pump aggregate, one UPT-50 (tractor based) lifter, one UP100x125 "Ruslan" type lifter, ten AF80/50/70, six AF80/65/35, twenty one AF65/35 and thirty one AF65/21 Christmas trees, two hundred and twenty eight ZMQ 80x70, ZMQ50x70, ZMQ65x35 and ZMQ 80x35 valves, four manifolds were purchased by enterprises and subdivisions of "Azneft" PU in 2014. The works were continued in replacement of worn and torn equipment with new ones. So, nine HAK 300/24Mx7T lifting cranes and one HAK 250/18 lifting crane manufactured by Turkey and, eight 42-seat rescue boats manufactured by Korea were fixed and put into operation.

Appropriate measures were taken to procure and stockpile 60459 tons of ferrous and 322 tons of non-ferrous scrap and waste metal written off from the balance sheet of installations and equipment unfit for production in 2014.

No standby cases were allowed due to early failure and lack of spare parts under the operation of drilling, oil-mine equipment and processing units in 2014.

Certain activities were also carried out in the area of fire protection. "Vikhr" type fire-fighting vessels kept a vigil on intended oil and gas fields. The departments and enterprises were provided with primary fire extinguishing equipment and foam generating liquid. One Straj type software controlled fire extinguishing robot was purchased, installed and put into operation at the enterprises.

The water spray systems in DWJs, circular fire extinguishing water lines, firefighting supports, shafts of dive pumps and access areas for vessels were repaired. Large-scale works were carried for replacement of manifold systems as well as low pressure and high pressure separators with news ones.

With a view to carry out rapid and quality drilling works, one ZJ70DZM drilling rig, two ZJ40 drilling rigs and two ZJ50 drilling rigs, six 3NB-1600F pump units, nine DOOSAN PU 180TI diesel engines, one MRB2-80x35 manifold, two MB-2Ux250 manifolds, MB-2Ux350 manifolds, two KPB-3M rotating cranes, one KP12-3U rotating crane, four MI-WACO clay mud cleaning systems, one ZJ70D winch, one 500 ton 800HP AKER Top Driver, eighteen NJ-1 mud mixers, four 4"-13 5/8" hydraulic switch stations were purchased, installed and put into operation in 2014.

The completed oil and gas wells were timely provided with wellhead equipment, which had a positive effect on oil and gas production.

Five 1D200/90 type centrifugal pump aggregates were installed and put into operation in Dashgil OTS in Oil Pipelines Department in respect to ensure fire safety.

Implementation of the following measures aimed at improving power supply in 2015 is deemed to be necessary:

- Provision of electricity supply of jackets at "28 May" OGPD with new GTPS through demolition of two 6/35 kV power transformers at 10000 kVA capacity through existing GTPS and replacement of gasturbogenerator 4 with repaired new gasturbogenerator;
- Reconstruction of electricity supply of Chilov island and Fixed Drilling Offshore Platform 95 thereof. Overhaul of electricity supply of subsea cables in deepwater jackets 123, 80, 95 around Chilov island and in deepwater jackets 3, 10, 11 and 13 at Gunashli field;
- Dislocation of 3 subsea cables at 6 kV capacity into 6kV DU newly constructed and commissioned under order 10579 at Fixed Offshore Platform 620 at "Darwin section" field of "Absheronneft" OGPD and provision of two-circuit electricity supply of Fixed Drilling Offshore Platforms 340, 660, 600;
- Organization of 35/6 kV toptrestle cables from master substation 403 ashore to newly constructed and equipped DU 6 under upgrading of substation buildings 2, 3, 4, 5, 6, 401 and ensuring delivery of voltage, connection of subsea cable lines to Fixed Drilling Offshore Platforms 1100, 1120, 890 and commissioning in order to ensure to improve electricity supply of "Absheronneft" OGPD;
- Delivery of voltage to newly installed 6/0.4 kV complex transformer point at 630 kVA capacity and 0.4 kV 8-block distributing board and connection of toptrestle cables under the accomplishment of Fixed Drilling Offshore Platform 1100 at offshore "North wrinkle" field (Order №-10401);
- Completion of electric equipment installation within reconstruction of fire extinguishing system at "Dashgil" Main Distribution Point of N.Narimanov OGPD, completion of electric equipment installation for new oil injection pump house at "Dashgil" Main Distribution Point and reconstruction of electricity supply circuit and stage-by-stage implementation of the OGPD in view of current status of trestle and EYMs;
- Completion of installation of electric equipment on project for Facility of transition from 2 kV power grid to 6 kV power grid in A.Amirov OGPD; upgrading of electricity supply system of OGPA's 1 and 3; overhaul of power transmission lines at 2.36 km length; commissioning of newly installed of 6 kV DU instead of substation 520 being in emergency condition at "Umbaki" area;
- Implementation of the project "Reconstruction of electric network and 35/6/0.4 kV distribution units within "Siyazanneft" OGPD and continuation of cleaning from the trees of protection zone of the electric transmission lines in Zykhi site;
- Laying out new 0.4 kV power transmission lines through 12 posts into wells 995, 743, 1156 and laying out five power transmission lines and installation of electric equipment into 2nd borehole drilling rig and installation of one 1000 kVA transformer in compressor station 16 and 0.4 kV five second borehole power transmission lines and overhaul of 2 kV power transmission lines passing through from substation 484 to transformer point 2, from substation 484 to distribution unit 845 and from substation 484 to distribution unit 844 at OGPS 2 and, laying out 0.4 kV power transmission lines into well 1370 at OGPS 3, switchover of Gala site from 2 kV circuit into 6kV circuit within H.Z.Tağıyev OGPD;
- Setting and repair of relay protection schemes in 35/6 kV and 6/0.4 kV substations, relay protection, control and automation schemes in control blocks of pump jacks at oil mines and installation of phase control units within all OGPDs;
- Installation of ZJ-40, ZJ-50 and ZJ-70 electronic system drilling rigs manufactured in PRC on the basis of new technologies in order to use electric energy more efficiently and without loss at drilling facilities of Complex Drilling Works Trust;
- Continuation of works in more reliable operation of lifting crane and rescue boats in DWJs and platforms;
- Elimination of challenges in transfer lines between DR-211÷214 furnaces of catalytic reforming 31 and furnaces operated in H.Aliyev Baku Oil Refinery;
- Commissioning of the circular water spray and foam fire-extinguishing systems newly installed in Puta OTS of Garadagh Oil Pipelines Office of Oil Pipelines Department;
- Development of a project for upgrading the fire-extinguishing system of "Dashgil" OTS and commencement of construction and installation operations;

- Saving of fuel and lubricants as well as of spare parts required for oil-mine facilities within the enterprises;
- Delivery of overhaul of drilling and oil-mine facilities on internal resources;
- Procurement, stockpiling and hand-over of wear and tear equipment being unfit for production as ferrous and non-ferrous scrap metal by writing off from the balance;
- Intense supervision over maintenance of running equipment under PTLJ within the departments and enterprises;
- Installation and commissioning of fluent launching unit for N322/1.2 hydrocutting pumps of production facility 4 and cable lines of electric power equipment for Azote compressor in workshop 12 within H.Aliyev Baku Oil Refinery;
- Full implementation of scheduled-running maintenance works of electric equipment planned for the year in order to provide drilling facilities with uninterrupted electricity supply;
- Replacement of electric lamps with DRL, LB, LD and spiral lamps where possible, switching off the lights at day, switching on the light at night where needed as well as turning off welding machines in work places during time-outs at drilling rigs of production sections;
- Completion of reconstruction works at Siyazan 35/10 kV substation, reconstruction works for electricity supply under design and improvement of power supply at 20 CDSs, OCDSs and ESPs.



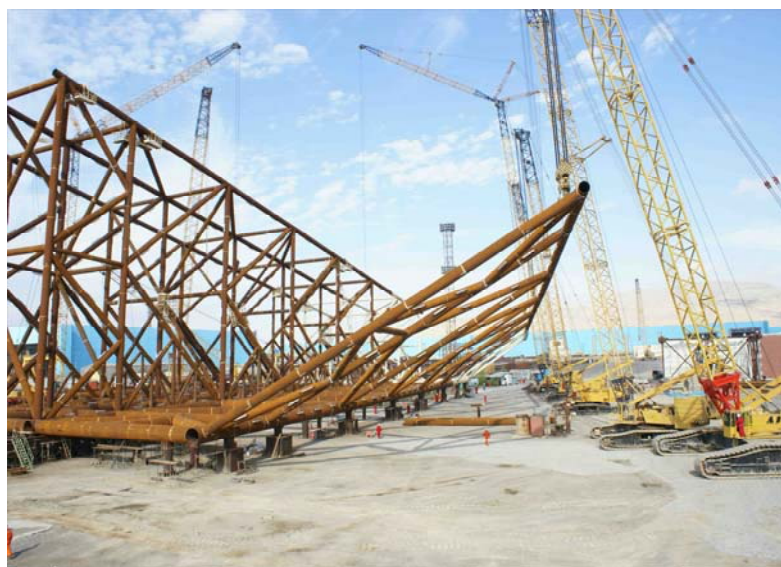
XII. CAPITAL INVESTMENT

Overhaul

Capital investment to the extent of 1368195.4 thousand Manat and overhaul works to the extent of 355562.2 thousand Manat were planned within SOCAR in 2014 in order to develop production and social base of oil industry; maintenance and enhancement of oil & gas production level and improvement of working and living conditions of the oil engineers.

Very important projects towards dynamic development of both country economy and oil industry were allowed for in the program. Construction of deepwater jackets and permanent offshore platforms and expansion of the existing ones for drilling of oil & gas wells, reconstruction and refurbishment of wear-and-tear rigs and pipelines in the refineries and cross-country gas main, which require large-scale capital outlays and will play a crucial role in satisfaction of needs of the population and countrywide industry for natural gas, can be set as an example.

Capital investment program within SOCAR for the reporting year was planned to the extent of 1368195.4 thousand Manat, including for drilling 396030,2 thousand Manat, for construction 832174,9 thousand Manat, for equipment not to be installed 165035,5 thousand Manat, geological exploration works 2600.0 thousand Manat.



Actual capital investment within SOCAR was fulfilled to the extent of 1127417,3 thousand Manat (82.4%), including for drilling 319714,9 thousand Manat (80.7%), for construction 638764,9 thousand Manat (76.8%), for equipment not to be installed 197656,6 thousand Manat (119.8%), geological exploration works 25432,5 thousand Manat (more than 9.8 times).

Comparison with 2013 of key indices included in structure of capital investment

Table IX.2 (thousand manat)

	2014			2013		
	plan	actual	%	plan	actual	%
Capital investment	1368195,4	1127417,3	82,4	1271508,5	1294201,3	101,8
including:						
Drilling	396030,2	319714,9	80,7	294143,3	381287,1	129,6
- exploration	17693,4	10620,8	60,0	33591,3	54830,3	163,2
- operation	378336,8	309094,1	81,7	260552,0	326456,8	125,3
Geological exploration works	2600,0	25432,5	9,8 d	2600,0	8829,2	339,6
Construction	832174,9	638764,9	76,8	841983,5	741675,3	88,1
Equipment not to be installed	165035,5	197656,6	119,8	132781,7	162409,7	122,3
Capital investment for non-industrial construction	46171,6	32591,5	70,6	82724,3	50701,4	61,3

including:						
- construction of housing	12000,0	8,2	0,1	76239,3	45058,1	59,1
- construction of utilities						
- construction of education facilities	27037,3	30160,4	111,6	14000,0	17175,8	122,7
- construction of healthcare facilities	7134,3	2422,9	34,0	54274,3	27472,1	50,6
- construction of cultural facilities				1000,0	3244,2	324,4

Capital investment on SOCAR departments for 2014 is as follows:

Table XII.2 (thousand manat)

No	Name of enterprises	Plan	Actual	%
1	"Azneft" PU	830000,0	784763,0	94,5
2	"Azerigas" PU	56923,1	36797,7	64,6
3	"Azerkimya" PU	8605,9	1047,0	12,2
4	"Azerneftiyagh" Oil Refinery Plant	5087,4	7691,5	151,2
5	H.Aliyev Oil Refinery Plant	28677,7	25366,2	88,5
6	Gas Processing Plant	2562,0	1096,1	42,8
7	Oil Pipelines Department	3947,0	6134,5	155,4
8	H.Aliyev Baku Deep Water Jackets Plant	2160,0	1598,1	74,0
9	Marketing and Economical Operations Depart.	415,2	53,6	12,9
10	Geophysics and Geology Department	12026,4	9344,0	77,7
11	Sosial Development Department	216821,6	106302,1	49,0
12	Investment Department	33,9	1,7	5,0
13	Security Deptatment	48,3	-	
14	Ecology Department	25084,7	3117,3	12,4
15	Gas Export Department	70488,0	40777,4	57,9
16	"IT& Communications" Department	5197,4	2565,2	49,4
17	Oil and Gas Construction Department	20383,0	18420,8	90,4
18	Oil and Gas Research and Design Institute	7300,0	3895,6	53,4
19	Complex Drilling Works Trust	48023,6	54797,4	114,1
20	Education, Training and Certification Depart.	-	1594,8	
21	Emergency-Response Department	-	339,8	
22	Transportation Department	24410,2	21713,5	89,0

Comparison with 2013 of handover data of fixed assets within SOCAR in the reporting year

Table XII.3 (thousand manat)

	2014			2013		
	plan	actual	%	plan	actual	%
Handover of fixed assets	2030673,3	1167854,3	57,5	1715996,2	1045081,2	60,9
including:						
- drilling	322960,1	270909,5	83,9	323636,1	393328,2	121,5
- construction	1570322,9	753439,8	48,0	1256985,4	487568,8	38,8
- equipment	137390,3	143505,0	104,5	135374,7	164184,2	121,3

As evident from the table, the handover of fixed assets within the SOCAR in 2014 made up 1167854,3 thousand Manat that it is higher to the extent of 122773.1 thousand Manat as compared to 2013. The handover of fixed assets on drilling totaled to 270909.5 thousand Manat that it is less to the extent of 122418.7 thousand Manat as compared to 2013. The handover of fixed assets on construction totaled to 753439.8 thousand Manat that it is higher to the extent of 265871.0 thousand Manat as compared to 2013.

Handover data of fixed assets on SOCAR departments for 2014 are as follows:

Table XII.4 (thousand manat)

No	Name of enterprises	Plan	Actual	%
1	"Azneft" PU	1108682,9	783387,8	70,7
2	"Azerigas" PU	252823,1	223796,0	88,5
3	"Azerkimya" PU	7830,9	830,3	10,6
4	"Azerneflyagh" Oil Refinery Plant	20109,3	4424,0	22,0
5	H.Aliyev Oil Refinery Plant	13663,3	19332,2	141,5
6	Gas Processing Plant	1321,2	81,0	6,1
7	Oil Pipelines Department	4975,0	7423,1	149,2
8	H.Aliyev Baku Deep Water Jackets Plant	3320,0	1,0	0,03
9	Marketing and Economical Operations Depart.	415,2	53,6	12,9
10	Geophysics and Geology Department	12078,0	9199,5	76,2
11	Sosial Development Department	481333,2	6859,9	1,4
12	Investment Department	33,9	1,7	5,0
13	Security Department	48,3		
14	Ecology Department	2093,0	10868,3	5,2 d
15	Gas Export Department	21707,1	5364,4	24,7
16	"IT& Communications" Department	5197,4	2060,0	39,6
17	Oil and Gas Construction Department	15781,8	12413,7	78,7
18	Oil and Gas Research and Design Institute	13680,0	2701,4	19,7
19	Complex Drilling Works Trust	46091,0	58023,6	125,9
20	Education, Training and Certification Depart.		1168,7	
21	Emergency-Response Department		210,6	
22	Transportation Department	19488,7	19653,5	100,8

Residential buildings to the extent of 3276 m² within SOCAR were handed over in 2014. This figure totaled to 3868 m² in 2013.

Overhaul

Overhaul program for the Company within the reporting year was planned as 355562.7 thousand Manat. Actual overhaul program was fulfilled as 324099.34 thousand Manat (91.1%).

The performance of the overhaul of fixed assets of SOCAR enterprises in 2014 is shown in the following table:

Table XII.5

No	Name Of Customer enterprises	Plan for 2014	Performed actually in 2014	%	Difference + ; -
1	"Azneft" PU	77175	100679,8	130,4%	23504,8
2	"Azerigas" PU	36379,8	11529,5	31,6%	-24850,3
3	"Azerkimya" PU	2446,5	0	0%	-2446,5
4	H.Aliyev Oil Refinery Plant	9000	4509,4	50,1%	-4490,6
5	"Azerneflyagh" Oil Refinery Plant	7000	4347,2	62,1%	-2652,8
6	Gas Processing Plant	2200	1369,7	62,25%	-830,3
7	H.Aliyev Baku Deep Water Jackets Plant	500	99,04	19,8%	-400,9
8	Oil Pipelines Department	7000	6494,5	92,7%	-505,5+
9	Marketing and Economical Operat. Depart.	840	729,4	86,8%	-110,6
10	Geophysics and Geology Department	302,4	44,6	14,7%	-257,8
11	Sosial Development Department	159938	165455,2	103,4%	5517,2
	Including:				
	For SOCAR enterprises		395,03		
	On regions		1874		
	On the basis of the letter of Baku city Executive Power		159603,8		
12	Security Department	0	0	0%	0
13	"IT& Communications" Department	800	365,5	45,6%	-434,5
14	Ecology Department	200	0	0%	-200
15	Gas Export Department	45000	25040,2	55,6%	-19959,8
16	Oil and Gas Construction Department	1500	2150,9	143%	650,9
17	Complex Drilling Works Trust	1725	219,2	12,7%	-1505,8
18	Caspian Sea Oil Fleet	500	0	0%	-500
19	Oil and Gas Research and Design Institute	1500	165,2	11,01%	-1334,8
20	Education, Training and Certification Depart.	50	351,8	7 dəfə	301
21	Transportation Department	1506	548,2	36,4%	-957,8
	Total:	355562,7	324099,34	91,1%	-31463,4

XIII. LOGISTICAL SUPPORT

Storehouses in related points were controlled and supervised on the basis of the monthly references submitted on storehouse remainders in order to ensure the purposeful use of the residue stock of inventories available in the storehouses of SOCAR enterprises, the avoidance of purchase of inventories generating remainder, and the purchase of necessary material resources in compliance with allocated funds.

According to monthly reports, total remainder to the extent of **544749682 Manat** for structural units of SOCAR was recorded up to 01.01.2014. The remainder was **454555823 Manat** up to 01.01.2015.

Including:

Table XIII.1 (thousand manat)

Name of structural units	Remainder up to 01.01.2014	Remainder up to 01.01.2015
"Azneft" PU	197036,51	130890,4
Complex Drilling Works Trust	117179,54	146843,94
"Azernefityagh" Oil Refinery Plant	4105	3599,7
H.Aliyev Oil Refinery Plant	26768,6	18127,8
Ecology Department	2634,12	2232,18
Marketing and Economical Operat. Depart.	613,9	276,8
Oil and Gas Research and Design Institute	49,04	8,76
"Azerkimya" PU	4604,51	2684,15
Emergency-Response Department	1985,835	1982,294
Sosial Development Department	14 420,000	11 959,000
Geophysics and Geology Department	1 509,370	487,375
"IT& Communications" Department	9 499,180	9 507,080
Security Department	178,200	109,000
Oil Pipelines Department	3 294,480	3 086,990
H.Aliyev Baku Deep Water Jackets Plant	3 386,960	1 382,920
Oil and Gas Construction Department	101 426,969	67 346,606
"Azerigas" PU	43 973,790	41 262,880
Gas Processing Plant	3 303,980	3 204,240
Gas Export Department	2 215,968	4 216,708
Transportation Department	6 563,730	5 347,000
Total for SOCAR:	544749,682	454555,823

As evident from the figures, there was no increase on storehouse remainder for overall activity of SOCAR. But as to several departments, there emerged a necessity to review an increase in storehouse remainder of Complex Drilling Works Trust. Pipes and equipment purchased for wells to be drilled at Umid field caused to the increase. The pipes and equipment remained unused in storehouse as the drilling works to be performed at Umid field were assigned to another organization. Such pipes and equipment have been planned to be used in the next wells to be drilled.

In general, **925018.152 thousand Manat** was spent for procurement of inventories on the basis of requests submitted by the structural units of SOCAR in 2014.

Including:

Table XIII.2 (thousand manat)

Name of structural divisions	Amount spent on inventories within a year (thousand manat)
"Azneft" PU	259615,76
Complex Drilling Works Trust	159396,3
H.Aliyev Oil Refinery Plant	34235,6

"Azneftiyagh" Oil Refinery Plant	6786,9
"Azerkimya" PU	15930,37
Oil and Gas Research and Design Institute	3585,04
Ecology Department	1976,35
Emergency-Response Department	728,813
Marketing and Economical Operat. Depart.	223,4
Sosial Development Department	8977,0
Geophysics and Geology Department	19612,465
"IT& Communications" Department	24346,550
Security Depatment	71,800
Oil Pipelines Department	3729,360
H.Aliyev Baku Deep Water Jackets Plant	129,520
Oil and Gas Construction Department	315026,004
"Azerigas" PU	40427,700
Gas Processing Plant	2457,970
Gas Export Department	16634,200
Transportation Department	11127,050
Total for SOCAR:	925018,152

A number of proposals can be mentioned in order to minimize costs laid out for sustainable development of procurements and material assets of SOCAR and to ensure cost-effective and efficient use of the allocated funds:

1. Centralized procurement on the same equipment and items;
2. Signing of annual and semiannual contracts;
3. Involvement of vendors to procurement process;
4. Ensuring prepayment (10-15%) to winner companies in the course of procurement;
5. Establishment of logistics department working together with procurement within SOCAR and opportunities directly with factories and plants
6. Introduction of rating for bidder companies participating in the procurement process.

XIV. SCIENCE AND TECHNOLOGY

First vice-president of SOCAR on Geology, geophysics and field development, academician Kh.Yusifzade leads the discipline of science and technology of SOCAR. Key performer of this activity is Science and technology division of SOCAR being in charge of supervision over drawing up thematic plan for scientific-research works; signing and performance of scientific-technical contracts; compiling and printing of annual reports of the Company; organization, arrangement of and participation in exhibitions, conferences and symposiums; study of new techniques, technologies, inventions and patents and thereafter application of them in SOCAR departments.

Out of SOCAR specialists 250 employees hold scientific degrees, including 2 persons are full member of Azerbaijan National Academy of Sciences, 26 persons hold doctor of science degree and 222 persons hold candidate of science and doctor of philosophy degree who played a role in realization of scientific studies towards solution of challenges oil industry is currently facing.

There signed Memoranda of Understanding between SOCAR and Azerbaijan National Academy of Sciences as well as between SOCAR and Azerbaijan National Aviation Academy and accordingly Science Foundation of SOCAR (date of establishment 2011) and Scientific Progress Foundation of SOCAR (date of establishment 2012) in order to develop fundamental and applied research projects in the discipline of natural and engineering sciences in Azerbaijan Republic and scientific studies in respect to oil & gas and petrochemical industry; to promote scientific activity of the scientists and shape additional creativity opportunities.

85 projects were submitted on 3 disciplines within the competition announced within Science Foundation of SOCAR in 2014 and strict expertise of the projects was organized in several stages. 35 projects, such as 29 scientific-research projects, 4 special projects and 2 promotional bonuses were declared as a winner under the Decision dated 29 September 2014 of the Board of Science Foundation of SOCAR.

14 projects were declared as a winner within the competition under the Decision dated 09 September 2014 of the Board of Scientific Progress Foundation of SOCAR.

Such data on the Institute are given in the following diagram:

As a rule, Scientific-Technical Council of SOCAR acting under the leadership of academician Kh.Yusifzade discussed "Thematic plan" of Scientific-Research Works in 2014 and approved it.

88 scientific-research works were planned within the thematic plan approved by SOCAR for 2014 that 30 works were transit and 58 works were new ones.

Number of Research works of SOCAR enterprises on the Thematic Plan for 2014

Table XIV.1

Number of planning research works of SOCAR enterprises for 2014	Performer	Oil and Gas Research and Design Institute		Outside organization		TOTAL:		
		trans	new	trans	new	trans	new	
Total number - 88								
including: transition works - 30								
new works - 58								
Customer Organization		trans	new	trans	new	trans	new	
"Azneft" PU	trans	25				25		68
	new		30		13		43	
Complex Drilling Works Trust	trans	2				2		9
	new		7				7	
Gas Export Department	trans					0		3
	new		3				3	
Head Office of SOCAR	trans			3		3		8
	new				5		5	
TOTAL:	trans	27		3		30		88
	new		40		18		58	
		67		21		88		

Cost of Research works of SOCAR enterprises on the Thematic Plan for 2014

Table XIV.2 (thousand manat)

Cost of planning research works of SOCAR enterprises for 2014 Total number - 13256 including: transition works - 2625 new works yeni - 10631	Performer	Oil and Gas Research and Design Institute		Outside organization		TOTAL:		
		trans	new	trans	new	trans	new	
Customer Organization		trans	new	trans	new	trans	new	
"Azneft" PU	trans	2395				2395		7851
	new		4975		481		5456	
Complex Drilling Works Trust	trans	200				200		1560
	new		1360				1360	
Gas Export Department	trans					0		3550
	new		3550				3550	
Head Office of SOCAR	trans			30		30		295
	new				265		265	
TOTAL:	trans	2595		30		2625		13256
	new		9885		746		10631	
			12480		776		13256	

Number of planning and actual Research works of SOCAR enterprises on the Thematic Plan for 2014

Table XIV.3

Number of planning and actual Research Works of SOCAR for 2014	PLAN			ACTUAL			
	Total	Transition works	New works	Completed works	Partially completed works	Transition to the next year for different reasons	In addition to work plan
"Azneft" PU	68	25	43	46	14	8	
Complex Drilling Works Trust	9	2	7	5	4	0	2
Gas Export Depart.	3	0	3	3			
Head Office of SOCAR	8	3	5	3	5		
TOTAL:	88	30	58	57	23	8	2

Oil & Gas Research and Design Institute

Scientific-research works to the extent of 16098.677 thousand Manat (including 14965.533 thousand Manat by SOCAR enterprises plus 1133.144 thousand Manat by foreign organizations) were carried out by the Institute in 2014.

ON SCIENTIFIC-RESEARCH WORKS: 16098.677 thousand manat

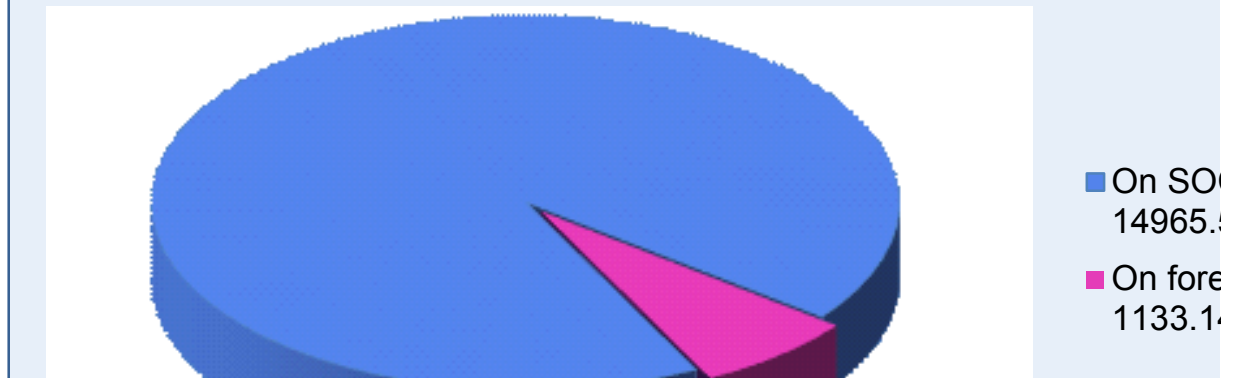


Diagram XIV.1

Works to the extent of 10574.801 thousand Manat were carried out for "Azneft" Production Unit out of 14965.533 thousand Manat for SOCAR enterprises.

Out of them:

The works were handed over to the extent of 6205.34 thousand Manat on 50 themes against 55 themes foreseen under thematic plan for 2014, however works on 3 themes beyond thematic plan to the extent of 135.448 thousand Manat and 4234.013 thousand Manat which completed in 2013 and handed over 2014.

The works were delivered to the extent of 4390.732 thousand Manat at the enterprises which not included in organizational structure of SOCAR.

Out of them:

The works were delivered to the extent of 2725.63 thousand Manat on 12 themes under thematic plan for 2014, however works on 2 themes beyond thematic plan to the extent of 110.102 thousand Manat and 1555.0 thousand Manat which completed in 2013 and handed over 2014.

The works were delivered to the extent of 1133.144 thousand Manat at the enterprises which not included in organizational structure of SOCAR.

ON SOCAR ENTERPRISES: 14965.533 thousand manat

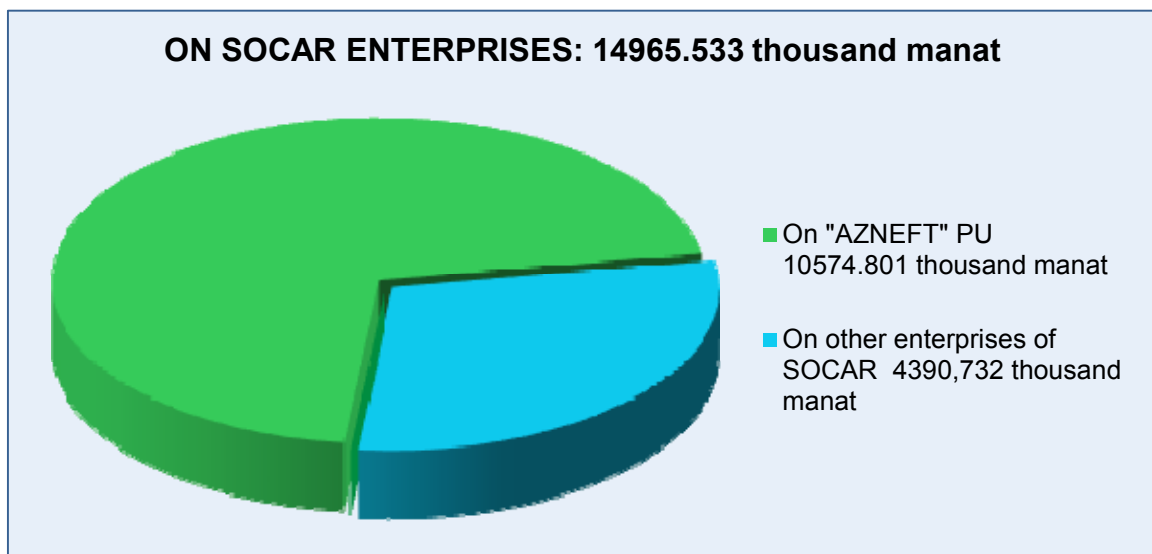


Diagram XIV.1

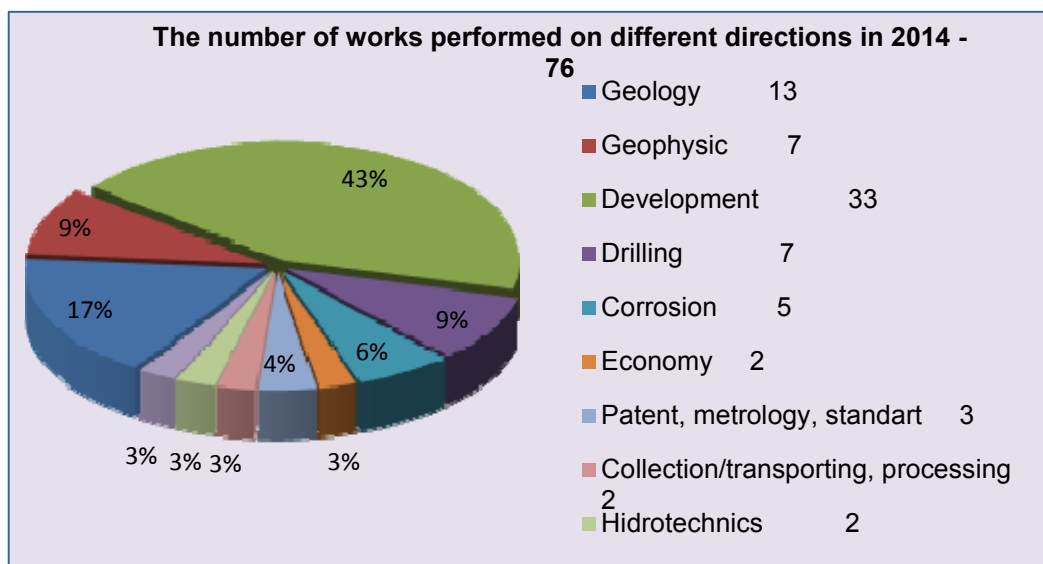


Diagram XIV.1

Note: 9 works were carried out at the enterprises which not included in organizational structure of SOCAR.

Works carried out in the application of patents in foreign countries by Oil and Gas Research and Design Institute in 2014

Test works are carried out:

- Testing of oil&gas field exploration method through broken wave manner of seismic prospecting in Fargane valley of Uzbekistan;
- Testing of oil&gas field exploration method through gravimetric prospecting in Fargane valley of Uzbekistan;

Reinforcement of relations between science and production

Several events, such as Action Program for stabilization and enhancement of oil & gas production on "Azneft" Production Unit for 2013-2015, application of facility, reagent and inhibitors, a series of conferences in Oil&Gas Production Departments of "Azneft" Production Unit and seminars within the framework of program "Rapid development of professionalism of young specialists" were held.

Program and techniques were purchased by the Institute.

- Programs:

1. *SolidWorks*

It is possible to model fittings and facilities in 3-dimensional space and to make drawings accordingly through this program. Moreover, the program enables to analyze deformation-strength condition and change of temperature appeared at the item in view of material of the item, geometrical dimensions and physical-mechanical properties caused by effect of force applied upon the model. It is also possible to study liquid and gas dynamics inside of the model shaped at the program through the module of SolidWorksFlowSimulation.

2. *"Olga" specialized software created for oil&gas industry.*

This program enables to study dynamics of two-phase and three-phase liquid flow emerged inside a pipe in compliance with any profile of the given pipe. It is possible to analyze distribution of pressure, temperature and speed of the liquid along the profile of the pipe and time-dependant change while flowing in horizontal and vertical pipes. All composition features of the liquid, geometrical dimensions of the pipe and physical-mechanical properties are taken into account at the program while functioning in the program. Also, the program "Olga" allows for survey of formation of any hydrate.

- Techniques:

- Gas chromatography recorder: GC 7890A - 3 pieces;
- Mass spectrometer: DİP-MS(5977AMSD) - 1 piece;

- Chrome mass spectrometer: GS-MSD - 1 piece;
- Sulphur detector gas chromatography recorder: GC- 355 SCD - 1 piece;
- Gas analyser: RGA (Refinery Gas Analysis) - 1 piece;
- pH-meter: NANNA - HJ3512 - 1 piece;
- Magnetic mixer: HOT & STIRRER - 3 pieces.

Report on works carried out in patent field

12 hypothetical inventions which performed through work tasks were discovered by structural divisions of the Institute in the reporting year and proper documents were compiled and sent to State Committee for Standardization, Metrology and Patent of Azerbaijan Republic (SCSMPAZ) for awarding a patent. Expertise procedures for 13 applications were fulfilled and Decisions on invention of items were adopted according to Article 29 of Law on Patent of Azerbaijan Republic.

- Patents were awarded for 9 inventions:
 - for 7 inventions - Patent of Azerbaijan Republic;
 - for 1 invention - Euroasia Patent Agency;
 - for 1 invention - Patent of Russian Federation.
- Applications required for awarding 15 inventions were sent to:
 - for 12 inventions - State Committee for Standardization, Metrology and Patent of Azerbaijan Republic (SCSMPAZ);
 - for 3 inventions - Euroasia Patent Agency;
- Expertise procedures for 14 applications were fulfilled and Decisions on invention of items were adopted:
 - 13 inventions by SCSMPAZ;
 - 1 invention by Patent of Russian Federation.

Notice on positive result of formal expertise for 1 application, which submitted to Euroasia Patent Agency, was received.

Application of new techniques and technologies

According to the order № 375 dated 24 December in 2013 of "Azneft" PU the application of new techniques and technologies were planned in oil gas production departments, enlarged oil mine and Gas Storages Operation Department in order to increase efficiency of the production. Out of thirty one actions, which planned to be applied in 394 facilities within the year, twenty actions were formed under the proposal of "Oil and Gas Research and Design" Institute, four actions under the proposal of "Nanotechnologies" department, three actions under the proposal of "Azneft" PU, one action under the proposal of "Oil & Gas Geotechnological Problems and Chemistry" Research Institute, one action under the proposal of Cybernetics SCB, one action under the proposal of Izolithic plant and one action under the proposal of "Oil & Gas ProServ" LLC.

Table XIV.4

	Number Of Measures
Oil and Gas Research and Design Institute	20
Nanotechnology Department	4
Scientific Research Institute Of Geotechnological Problems Of Oil, Gas And Chemistry	1
Izolit plant	1
Cybernetics SDB	1
Oil&GasProServ	1
AZNEFT PU	3
TOTAL:	31

16 actions were fully implemented and seven actions were partly implemented at 386 facilities in 2014. 16 actions on application of new techniques and technologies by the Institute were fully carried out, 2 actions were partly carried out, but 4 actions were not carried out.

Nevertheless, 184 well operations were planned in the reporting year by the Institute, actually 230 planned well operations were carried out, but 81 well operations were fulfilled on 2 offschedule applications.

17 actions were fully implemented and 6 actions were partly carried out at 433 facilities against application of 31 new techniques and technologies which planned for 394 facilities in 2014. Eight actions were not taken due to lack of procurement of necessary equipment and reagents. 39 offschedule well operations were realized. Additional oil to the extent of 37558 tons were produced against 4960 tons which intended in the reporting year.

Table XIV.5

Application object		Number of Measures				Additional oil, ton	
Plan	Actual	Plan	Actual			Plan	Actual
			Completed	Partially	Unfulfilled		
394	433	31	17	6	8	4960	37558

More efficient actions taken in the reporting year are as follows:

- Plug cleaners were applied in 132 wells and 1870.3 tons of additional oil was produced;
- Injection of new compositions (sulphanole) upon external casing/annulus for offtaking mechanical impurities from the wells was applied in 16 wells and 2580 tons of additional oil was produced at "Neft Dashlary" OGPD;
- Technique for consolidation of holeback zone technique with polymer (LAPROL) plugback material was applied in 27 wells and 1785.4 tons of additional oil was produced;
- Technique for regulation of watering in operating wells with elastic-solid mass was applied in 7 wells and 1502 tons of additional oil was produced at "Neft Dashlary" OGPD;
- "PADUS-2" paraffin cutter was applied in 12 wells and 5469 tons of additional oil was produced at "Neft Dashlary" OGPD and it was applied in 35 wells and 22806 tons of additional oil was produced at N.Narimanov OGPD as well;
- Technique for microbiological treatment (stimulation of formation) was applied in 3 wells and 627.5 tons of additional oil was produced by usage of different outputs (activated sludge, serum, output of champagne factory etc.);
- Pyrolysis resin reagent against AQP sediments was applied in 4 wells and 199 tons of additional oil was produced;
- New liquid (NSA-1) reagent for enhancement of permeability of holeback zone was applied in 7 wells and 228 tons of additional oil was produced;
- Technique for stimulation of holeback zone with skimming system was applied in 4 wells and 135 tons of additional oil was produced;

The following 8 actions were not taken due to lack of procurement of necessary equipment and reagents:

- Laprol-3003 reagent;
- MORE reagent;
- Setup for recovery of structural integrity and seal of casing pipes;
- Protective layer composition against ARW (asfalten-resin-wax) sediments;
- Protectors for reduction of jamming of tubings;
- Telemechanical unit for troubleshooting and control of wells running by pump jacks;
- Glass plastic pipes for protection from aggressive produced water;
- Unit for protection of pump from gas and sand.

Exhibitions, conferences and other international events took part by SOCAR

Innovations and new technologies of several countries and well-known oil & gas companies of the world were intensively applied in SOCAR enterprises over the past years. It was mainly resulted from the organization of international conferences by SOCAR and its close participation in such international conferences dedicated to oil & gas of other countries regularly every year in terms of rapid development of oil & gas industry of Azerbaijan

Every year as a tradition SOCAR becomes co-organiser of International oil & gas exhibition-conference to be held in first week of June in Baku and takes part actively at its stand.

List of international events held by SOCAR in Azerbaijan and foreign countries is as follows:

- 22 January 2014 - Azerbaijan party "SOCAR - Energy of Azerbaijan" held in Davos;
- 21-25 January 2014 - Davos World Economic Forum;
- 5 March 2014 - 4th Caspian Forum in Brussels. Caspian Strateji Institute (HASEN);
- 6 March 2014 - Event on the subject "Azerbaijan-Great Britain energy cooperation" by House of Lords of Parliament of Great Britain held in London;
- 11 March 2014 - International seminar on the subject "Anti-sand development of weak formations" which dedicated to issue of sand generation in oil industry organized by Society of Petroleum Engineers in Baku;
- 30 April - 2 May 2014 - Forum "US-Azerbaijan: Future vision" in Washington;
- 3 June 2014 - International conference-exhibition "XXI Caspian Oil, Gas, Refinery and Petrochemistry";
- 23 June 2014 - 12th World Energy Council Central and Eastern European Regional Energy Forum in Bucharest - Forum on the subject "Energy of Tomorrow: From Dream to Reality";
- 15-19 June 2014 - 21th World Oil Congress in Moscow;
- 13 August 2014 - Seminar on the subject "Oil Spill Responce Strategies for Caspian Sea" held in "JW Marriott Absheron Baku Hotel";
- 3-5 September 2014 - International forum exhibition Kazan "XXI Oil & gas and petrochemistry";
- 2 October 2014 - Business seminar on the subject "Development of local business in oil and gas sector of Azerbaijan" held in London;
- 14 October 2014 - Training seminar on the subject "Assessment of investment projects in oil & gas industry" held in "Azneft" Production Unit;
- 22-23 October 2014 - Expo-2017 Preparatory conference for international exhibition Kazakhstan Astana "Energy of Future";
- 31 October 2014 - Traditional European Gas Conference in London;
- 5 November 2014 - 2nd SOCAR OGPC Forum dedicated to Oil & Gas Processing and Petrochemistry Complex (OGPC) project of SOCAR;
- 18-20 November 2014 - 19th international exhibition-conference "Oil & gas of Turkmenistan - 2014" in Ashgabad, Turkmenistan;
- 27 November 2014 - SOCAR Vienne Economic Forum;
- 26 November 2014 - Scientific-practical conference "Achievements of Azerbaijan in energy field" in Vietnam;
- 3 December 2014 - International scientific conference on the subject "Protection of ecology and human life" in Sumgayit;
- 9 December 2014 - Energy Charter Forum "Reliable and stable transit of energy carriers" in Ashgabad;
- 26 December 2014 - SOCAR I Republic Intellectual Property and Innovation Exhibition;



XV. HUMAN RESOURCES MANAGEMENT

1. On employees of SOCAR Head Office and key officials of the Company enterprises

On January 01, 2015 actual number of the employees of the Head Office of State Oil Company of Azerbaijan Republic totaled to 492 persons. 36 persons were recruited by Head Office of SOCAR in the reporting year that out of them 25 persons were working in the enterprises of SOCAR and 11 persons from outside organizations. 11 persons out of the employed ones were alumni of Foreign Scholarship Program of SOCAR. Labor book was issued for 2 persons because of first job place. 99 persons were dismissed in the same period.

Up to 01.01.2015, out of employees working for Head Office 165 persons are key employees, 320 persons are specialists, 5 persons are technical staff and 2 persons are labourers. Moreover, 148 persons are women, 12 persons are pensioners and 110 persons are the youth under the age of 29. Average age limit of the employees working for the Head office makes up 40.7. 470 persons of the employees are highly educated, out of them 2 persons are doctors of science and 32 persons are doctors of philosophy (candidates of science).

132 employment contracts were signed and labor contracts of 109 employees were duly amended by president of SOCAR and the Personnel Management Committee in view of appointment in 2014. Employment contracts of 221 persons were terminated within the same period. Out of them 207 persons were dismissed by their initiative, 11 persons due to personnel reduction and 3 persons due to expiry of employment contracts.

In total, 47 orders of SOCAR and 440 decisions of the Personnel Management Committee were developed and executed within the Head office and nomenclature staff (appointment, deployment, dismissal, amendment to employment contracts, assignment of official duties) in 2014.

Appointment of 217 persons for relevant positions was allowed subject to agreement with heads of relevant structural units of SOCAR Head Office which to be appointed in agreement with the heads of relevant structural units of the Company pursuant to order 72 dated 03 June 2010 of SOCAR. Nomination of 7 employees for appointment was not deemed expedient to the relevant positions.

Labor books of employees of Head office of SOCAR and managerial staff included in SOCAR nomenclature are maintained in the Personnel division, proper notes are made and recorded duly.

It should be noted that the Personnel division received more than 2100 applications, memos, different letters and other documents which were executed by follow-up of pendency time in 2014. 17 letters were compiled in correspondence with state authorities. 1152 work references were compiled and handed over to employees of SOCAR Head Office and heads of structural units for submission upon requests.

2. Number, category, trend and fluctuation of SOCAR manpower

Number of employees within SOCAR declined as 6374 persons in 2014 and totalled to 54714 persons up to 01.01.2015. Reduction of the number of the employees is related to transfer of employees of Security Department (1266 persons) to "Etalon" LLC; exclusion of Neftchi Sports-Health Centre from organizational structure of Social Development Department of SOCAR and transfer of its employees to the structure of Neftchi Sports Club Public Union which working freely (490 persons). Reduction of the number of the employees (totally 2363 persons) was resulted from the arrangements oriented to optimization of number of employees in other enterprises of SOCAR ("Azerigaz" PU - 514 persons, Complex Drilling Works Trust - 502 persons, Security Department - 471 persons, "Azerikimya" PU - 451 persons, Geophysics and Geology Department - 88 persons, Social Development Department - 60 persons, Oil and Gas Construction Trust - 73 persons, H.Aliyev Baku Oil Refinery - 73 persons, "Azneft" PU - 62 persons, Oil Pipelines Department - 43 persons, Head Office - 4 persons, Gas Export Department - 3 persons, Ecology Department - 3 persons, Information Technologies and Communication Department - 1 person, Investments Department - 1 person, Transport Department - 14 persons); while 809 persons were dismissed due to retiring age, disability, expiry of employment contracts, signing of labor contracts with another employers and other reasons.

The actual number of the employees in the Company's enterprises and average annual number of SOCAR employees in 2014 are shown in the following table:

Table XV.1 (person)

Name of enterprises	01.01.2014	01.01.2015	Annual average number of employees
Head office of SOCAR	555	492	493
"Azneft" PU	15995	11418	11765
"Azerigaz" PU	11310	9252	10306
"Azerikimya" PU	3499	2938	3154
Geophysics and Geology Department	1474	1061	1316
Oil Pipelines Department	1023	723	857
Marketing and Economic Operations Department	345	327	335
Investments Department	59	61	59
"Azernefityagh" Oil Refinery	2331	2020	2188
H. Aliyev Baku Oil Refinery	2525	2172	2354
H. Aliyev Baku Deep Water Jackets Plant	148	119	131
Gas Processing Plant	701	608	659
Social Development Department	1043	300	498
Security Department	3669	1652	2113
Ecology Department	456	393	420
Gas Export Department	3017	2633	2798
Information Technologies and Communication Department	1085	999	1045
"Oil and Gas Construction" Trust	5454	4113	4890
"Complex Drilling Works" Trust	3869	2656	2796
Oil and Gas Research and Design Institute	1198	1068	1070
Editorial office of journal "Azerbaijan Oil Industry"	22	21	20
"Development of Work Condition Norms" Department	107	105	106
Training, Education and Certification Department	303	292	306
Carbamide plant	22	24	23
Baku High Oil School	64	75	66
Oil & Gas Processing and Petrochemical Complex	0	75	67
Diving and Salvage-Rescue Department	567	562	557
Anti-blowout Mine-Rescue Militarized Unit	166	143	153
Transportation Department	0	8330	5933
Companies on international projects of SOCAR	81	82	82
TOTAL:	61088	54714	56560

The structure of actual employees of SOCAR on 01 January 2015 is as follows:

Table XV.2

Actual number of employees	54714 (100%)
Including:	
labourers	37420 (68,4%)
managerial staff	7012 (12,8%)
specialists	9930 (18,1%)
technical staff	352 (0,6%)
women	9732 (17,8%)
pensioners	3990 (7,3%)
highly educated	17285 (31,6%)

21535 persons were employed by enterprises of SOCAR in 2014.

Including:

- 20231 persons due to internal rearrangement;
- 1304 persons from outside. Out of them:
 - 494 temporary employees (seasonal, construction based etc.);
 - 33 persons dismissed due to expiry of contract within joint projects;
 - 10 demobilized persons;

- 201 persons alumni of Training, Education and Certification Department;
- 68 persons alumni of SOCAR Fellowship Program;
- 498 persons recruited due to industrial necessity.

27909 employees were dismissed within the year. Including:

- 20095 persons on their own initiatives (including internal rearrangements within the enterprises);
- 2363 persons dismissed due to job cuts;
- 82 persons due to absence from work without valid reason and other labor violations;
- 727 persons due to expiry of employment contracts;
- 27 persons due to military service;
- 177 persons due to death;
- 82 persons due to health condition (disability);
- 4356 persons due to other reasons (Transfer of 1266 employees of Security Department to “Etalon” LLC; exclusion of Neftchi Sports-Health Centre from organizational structure of Social Development Department of SOCAR and transfer of 490 employees to the structure of Neftchi Sports Club Public Union which working freely etc.)

Out of 27909 dismissed persons, contracts of 7678 persons were terminated due to internal rearrangements for 20231 persons as a result of structural changes within SOCAR in the reporting year. This number involves block release of 2363 persons resulted from internal rearrangements, death of 177 persons, call to military service of 27 persons, expiry of employment contracts of 727 persons, dismissal of 82 persons for disability (health conditions), transfer of 1266 employees of Security Department to “Etalon” LLC; exclusion of Neftchi Sports-Health Centre from organizational structure of Social Development Department of SOCAR and transfer of 490 employees to the structure of Neftchi Sports Club Public Union which working freely because of fluctuation of personnel in the reporting year. So, number of dismissed persons under fluctuation of personnel totalled to 2716 persons upon calculation of employees dismissed due to labor violations.

The fluctuation of personnel for SOCAR made up 4.8 % in 2014.

According to outcomes of competitions carried out by Human Resources Department, 139 persons were employed over the past period that out of them 58 persons were recruited from outside and 81 persons working in enterprises and organizations of the Company.

Up to 01.01.2015 number of the youth under the age of 29 was 7273 persons, thus it totaled to 13.3% of overall number of the employees. Out of them 29.2% managerial staff and specialists, 39.5% highly educated and 11.0% of them are women. Majority of the youth work in Oil & Gas and Petrochemical Complex (53%), Diving and Salvage-Rescue Department (25.6%), Information Technologies and Communication Department (24.9%), Head Office of SOCAR (22.3%).

However, it should be noted that up to 01.01.2015 the number of pensioners was 3990 persons, thus constituting 7.3% of the total number of the employees. Out of them, 3227 persons retired on a pension on preferential terms, while 128 persons retired due to age and 635 persons due to disability.

2363 persons were dismissed due to job cuts within SOCAR in 2014, however, 2180 persons received compensation to the extent of average 5-month salary amount. Out of 727 persons dismissed due to retiring age, 496 persons received compensation to the extent of average 5-month salary amount in the reporting year.

Up to 01.01.2015 the number of SOCAR employees with higher education has reached 17285 persons and made up 31.6% of total number of the employees.

The analysis shows that up to 01.01.2015 the average age limit of SOCAR employees was 43.97.

The seniority of SOCAR employees working in the oil industry is as follows:

- up to 20 years - 39.6 thousand persons
- over 20 years - 14.9 thousand persons

Up to 01.01.2015 the number of SOCAR employees holding an academic degree is 254 persons. Out of them, 27 persons are doctors of science and 227 persons are doctors of philosophy (candidates of science).

Up to 01.01.2015 the number of SOCAR employees holding an academic degree is shown in the following table:

Table XV.2

Enterprises	Doctor of science		Doctor of philosophy (candidate of science)	
	Men	Women	Men	Women
Head office of SOCAR	2	-	24	8
"Azneft" PU	-	-	17	2
"Azerigaz" PU	-	-	6	1
"Azerikimya" PU	-	-	6	-
Geophysics and Geology Department	3	-	6	2
Oil Pipelines Department	-	-	3	1
Marketing and Economic Operations Department	-	-	4	1
Investments Department	-	-	2	1
"Azemeftyagh" Oil Refinery	-	-	5	-
H. Aliyev Baku Oil Refinery	-	-	7	-
H. Aliyev Baku Deep Water Jackets Plant	-	-	-	-
Gas Processing Plant	-	-	1	-
Social Development Department	-	-	4	-
Security Department	-	-	1	-
Ecology Department	1	-	11	1
Gas Export Department	-	-	2	1
Information Technologies and Communication Department	-	-	2	2
"Oil and Gas Construction" Trust	-	-	-	-
"Complex Drilling Works" Trust	1	-	1	-
Oil and Gas Research and Design Institute	12	1	58	26
"Development of Work Condition Norms" Department	-	-	-	-
Editorial office of "Azerbaijan Oil Industry" magazine	1	-	1	-
Training, Education and Certification Department	-	-	2	-
Carbamide plant	-	-	-	1
Baku High Oil School	4	1	2	4
Oil & Gas Processing and Petrochemical Complex	-	-	3	-
Diving and Salvage-Rescue Department	-	-	-	-
Anti-blowout Mine-Rescue Militarized Unit	-	-	-	-
Transportation Department	-	-	3	-
Companies on international projects of SOCAR:	1	-	5	-
Total:	25	2	176	51

Up to 01.01.2015, 9732 women were employed by SOCAR that it made up 17.8 percent of the total number of the employees. 664 persons out of the employed women are key employees, 3699 persons are specialists, 5037 persons are labourers and 332 persons are technical staff. 797 persons are under the age of 29, 3139 persons or 32.3% of women are highly educated. 1061 women are pensioners, including 33 persons retired on a pension due to age, 927 persons on preferential terms and 101 persons due to disability. Majority of women work at the Oil & Gas Research and Design Institute (60%), "Development of Work Condition Norms" Department (50%), "Azerikimya" PU (43%), Information Technologies and Communication Department (36%), Oil Refineries (35%). 53 persons out of SOCAR employees holding an academic degree are women. Out of them, 2 persons hold a doctor of science degree, while 51 persons hold a candidate of science degree. 369 persons out of the employed women are refugees and internally displaced persons and 3 women are production invalids.

Up to 01.01.2015, out of total number of SOCAR employees 102 persons are the members of martyr's families, 2528 persons are the veterans of Garabagh war, 2024 persons are internally displaced people and refugees. It should be noted that 635 invalids are employed by SOCAR enterprises. Out of them, 132 persons are the invalids of Garabagh war, 3 persons are the invalids of Afghanistan war, 36 persons are the invalids of Chernobyl accident, 57 persons are invalids from work and 407 persons are disabled.

3. Awards

On occasion of 20-year anniversary of "Contract of Century" and in connection with the professional holiday of Azerbaijani oil industry workers, 2 persons were awarded the order of Honor and 70 persons the medal of "Progress" for their contribution to the development of countrywide oil industry under Decree № 734 dated 19 September 2014 of the President of the Republic of Azerbaijan. 7 persons were awarded the title of "Honorary engineer" and 1 person was awarded the title of "Honorary teacher" under Decree № 733 dated 19 September 2014 of the President of the Republic of Azerbaijan. 5 old oil workers were granted the individual pension of the President of Republic of Azerbaijan for their immense merits in the oil industry under Decree № 735 dated 19 September 2014 of the President of Republic of Azerbaijan. On occasion of 65-year anniversary of "Neft Dashlary" field, 1 person was awarded the order of Honor, 5 persons were awarded the medal of "Progress" and 1 person was awarded the title of "Honorary engineer" for their merits in development of the field. Significant documentation works were carried out by personnel division in respect to the awarding and, orders, medals, badges and proper certificates were presented to the awardees with solemnity by president of SOCAR and proper minutes, personal records and registration cards of the awardees were submitted to the Presidential Administration of the Republic of Azerbaijan.

According to 20 orders of SOCAR 221 employees were awarded the Certificate of Honour of State Oil Company of Azerbaijan Republic for their special merits in the development of oil industry in 2014.

Out of them:

- On occasion of "Oil Workers Day" professional holiday - 143 persons
- On occasion of 65-year anniversary of "Neft Dashlary" field - 31 persons
- Staff of Caspian Sea Oil Fleet (for fighting a fire in well 90 in Bulla offshore field) - 20 persons
- Members of creative staff who were distinguished themselves in filming of semidocumentary "Dedicated" devoted to 85-year anniversary, life and work activity of Kh. Yusifzade - 10 persons
- Several persons (for special merits) - 17 persons

4. Labor discipline

Performance of proper works was continued towards increase of exigence in Head Office of SOCAR and in all structural units in order to strictly follow labor and execution discipline in 2014. Data on discipline status for outcomes of 2014 year as compared to 2013 are reflected in the following table in view of SOCAR enterprises:

	Data	2013	2014
1	Number of labor discipline violations (case)	4859	3028
2	Violators of labor discipline, person	6866	5167
3	Unjustified absence	219	214
4	Violators of labor discipline	2719	1078
5	Leave of work place without permission	234	226
6	Number of defaulters	2102	1992
7	Latecomers	263	151
8	Presence in drink	45	38
9	Violators of safety regulations	666	796
10	Number of reprimanded employees	6602	5115
11	Dismissal due to absence from work and other labor violations	76	81

5. Review of applications of citizens

Personnel division received 45 letters and applications from the citizens in 2014 that majority of them were related to employment at SOCAR enterprises or awarding with state rewards. Out of them, 18 letters were received from the Presidential Administration of the Republic of Azerbaijan, 1 letter from Parliament and 4 letters from other state authorities and several organizations to be reviewed by SOCAR. Out of the received requests, 40 letters were examined and replied in writing by the specialists of the Personnel division and 5 letters were sent to the relevant enterprises to be reviewed. Proper oral explanations were given to 30

citizens, who submitted their applications in the reception of SOCAR, by the specialists of the Personnel division.

6. Awarding of the title of “Labor veteran”

Awarding of the title of “Labor veteran” is performed in accordance with Decision № 216 dated 22 September 1995 and Decision № 150 dated 24 September 1999 of the Cabinet of Ministers of Republic of Azerbaijan. All documents concerning the award of the title of “Labor veteran” submitted by the enterprises to the division are checked once more and executed under proper orders of SOCAR. 191 persons were awarded the title of “Labor veteran” under 64 orders issued by SOCAR and certificates of two persons were replaced with new ones in 2014. In total, 193 certificates “Labor veteran” were filled up and submitted to the applicants over the past year within SOCAR.

7. Attestation of senior staff and specialists

In accordance with Resolution № 97 dated 23 May 2001 of the Cabinet of Ministers of Republic of Azerbaijan “On approval of Regulations for attestation in the Republic of Azerbaijan”, there held an attestation of personnel in “Azneft” PU, “Azerikimya” PU, “Azərneftyağ” Oil Refinery, “Oil and Gas Construction” Trust, Oil & Gas Research and Design Institute and Diving and Salvage-Rescue Department and other organizations in 2014.

Last year 1269 persons out of 1826 senior staff and specialists planned for the departments and enterprises of SOCAR were attested. 1197 persons, who passed the attestation, complied with their positions, while 72 persons failed. As a result of the attestation, 19 persons were promoted in grade, 32 persons were degraded, 41 persons were transferred to other positions and 4 persons were dismissed.



8. Use of vacations and temporary loss of capacity to labour

There issued 87 proper orders of SOCAR and 1252 decisions of Personnel Management Committee in 2014 in view of usage of vacations of employees included in Head Office and nomenclature and signed by the top management.

The employees of SOCAR Head Office were on leave 888 times in 2014. 13 persons were on study leave and 23 persons (4 persons since week 22 of pregnancy) were on social leave. 12 employees of SOCAR Head Office were paid compensation to the extent of 375 calendar days for unused leave. 21 persons were on unpaid leave for several reasons within the reporting period.

Up to 01 January 2015, the number of unused vacation days within SOCAR enterprises and organizations totaled to 39676 and within SOCAR Head Office to 11383 calendar days. Data on the enterprises are enclosed (Table №14).

21313 persons did not attend work within 357276 days due to temporary loss of capacity to labour on SOCAR enterprises in 2014. The figures were 25062 and 396494 respectively in comparison with 2013. Thus, 313 persons within SOCAR Head office presented medical certificates and did not attend work for this reason within 3090 days in the reporting year. It should be noted that these figures totaled to 286 persons and 2343 men/days respectively in 2013.

XVI. TRAINING AND DEVELOPMENT

177 vacancies were announced under 108 positions and professions “jobsearch” subsection (<http://careers.socar.az>) of “career” section of www.socar.az webpage within 2014 and there identified a compliance with requirements of the aforesaid vacancies of data submitted by 7865 persons, who applied online for such vacancies and 1357 persons were invited to the test examinations.

Out of the successful candidates in the test examinations 37 candidates took part in vocational test examinations (aptitude testing on labour professions), 298 persons participated in the interview stage that totally 88 persons (7 persons passed from vocational test examinations, 81 persons from interviews) successfully passed the competition process. Out of the successful candidates 80 persons were assigned to enterprises and organizations of SOCAR to be employed, but 8 persons were included in the Personnel reserve base (PRB) of SOCAR. So, 11 persons from the Personnel reserve base were assigned to enterprises and organizations of SOCAR to be employed within the reporting period.

According to requirements of orders of SOCAR and decisions of the Personnel Management Committee, 203 persons were employed by nomination of SOCAR management, 40 persons were employed under the Scholarship program (30 persons under the Study Abroad program, 10 persons under Internal Study program) and 239 persons as alumni of training centres of Training, Education and Certification Department (TECD) were assigned to departments and enterprises of SOCAR to be employed. 21 persons out of TECD alumni, who were employed, were brought up in orphan asylums.

In total, 573 persons were assigned to SOCAR departments and enterprises to be employed within 2014.

In the presence of representatives of Human Resources Department in 50 meetings of the Tariff-Qualification Commissions held in SOCAR enterprises and organizations, the issues of transfer of 1116 employees without payment of compensation were considered and the claims of 921 persons (82.5%) were satisfied.

At the same time, compliance of 26186 transfers to other positions carried out in structural units in direct subordination of SOCAR with the requirements of legislation and internal normative documents of SOCAR was checked up.

The draft version of Rules on “Career management in SOCAR”, which prepared in respect to provision of regulation of career management processes in SOCAR enterprises and organizations in an integrated form and as per requirements of international standards, was partially applied as a pilot version in “Azerikimya” Production Unit, H.Aliyev Baku Oil Refinery, “Azernefityagh” Oil Refinery, Oil & Gas Research and Design Institute, Gas Processing Plant, Training, Education and Certification Department, Development of Work Condition Norms Department.

Moreover, there conducted an opinion survey among the employees of “Azneft” Production Unit, “Azerikimya” Production Unit, H.Aliyev Baku Oil Refinery, “Azernefityagh” Oil Refinery, Oil & Gas Research and Design Institute, Gas Processing Plant, Training, Education and Certification Department, Development of Work Condition Norms Department in view of measurement of employee satisfaction and loyalty, and identification of factors impacting upon outflow of human resources and taking relevant actions towards elimination of them.

In total, 2984 persons took part in the survey within 8 structural units that out of them 2601 persons filled up the survey form on paper-based, 383 persons online (webpage). 1721 persons out of 2984 persons participated in the survey, refer to officer (to the exception of managers) and 1263 persons refer to labourer category. Alongside with the survey held for current employees, another survey was held by Human Resources Department among the persons who were employed by SOCAR and were dismissed at their own initiatives. The survey was carried out by phone call with 181 persons. In reference to responses of participants in the survey, relevant statistic information was prepared through program Statistic Package for Social Sciences (SPSS) and responses were analyzed comparably.

“Human Resources Portal of SOCAR” (Portal) was put into usage and personal profile (webpage) was opened for every employee (54166 persons) in order to ensure operative and efficient exchange of information between employer and employees within SOCAR and to increase service level rendered to the employees. At the present, the Portal enables the employee to review their education, salary, used and unused leave days and

other personal data (overall 15 lines). Besides, the employees can obtain necessary statutory documents and contact details of overall Company employees (email address and extension numbers) through the system. Also, there created a subsection "Vacancies" at the system concerning easier delivery of data on vacancies announced within SOCAR. The employees can reach vacancy application form via the subsection without inputting personal data (The data are automatically uploaded into the system through SAP BRP system).

It is planned to develop the Portal regularly and enlarge its functionality pursuant to the requirements. The services to be put into usage recently include electronic trainings and electronic library subsections which positively influence upon individual development processes of the employees. The employees will be entitled to participate in the examinations in order to attend the needed trainings, to verify their knowledges and to obtain certificates without going to anywhere and financial expenses by using functions allowed for these subsections. Electronic library subsection creates opportunities for the employees to get data in any disciplines to be researched. Also, it is planned to put into usage subsection "Work Life at SOCAR" in order to develop more corporative environment and to ensure participation of the employees in social events.

There prepared a promotion plan and the works to be performed were arranged according to this plan in respect to ensure efficiency of the system usage. The promotion plan allows for notification of SOCAR employees about the system in view of category, age and skills to use information technologies of the employees. One of preliminary activities to be implemented under the Promotion Plan was presentation of the Portal in a practical manner to employees of personnel divisions who are supposed to be active users of such system. The trainings held in the presence of specialists of the personnel divisions involved 340 employees totally.

Alongside with enlightenment of specialists of the personnel divisions on running system, SOCAR employees were trained, too. At the present, 1533 employees took part in the trainings organized in respect to the system. Initially, participation of more than 5000 employees is planned in such trainings who are holders of corporate email addresses within SOCAR. Then, scope of the employees who are supposed to attend at the trainings, will be expanded. It should be noted that such trainings will be held as new functions of the Portal are put into usage. In parallel with the trainings, email notification was sent to more than 6000 employees (all employees who are holders of corporate email addresses within SOCAR) concerning usage of the system for awareness of the employees. More than 10000 booklets were compiled and distributed to each structural unit of SOCAR in order to raise awareness of the employees on the system. Alongside with the booklets, 300 banners were placed at administrative buildings of the enterprises and organizations to be noticed by the employees. It was foreseen to place more 100 banners in the next stage. As an integral part of promotion works, sending of messages on the system to the employees will be carried out. Such messages will notify the employees on system-related innovations at the shortest run. It should be noted that within 3 days upon putting into usage of the Portal more than 2500 users were registered. Regular continuance of the promotion works will impact positively upon enhancement of this figure.

SOCAR creates opportunities for Azerbaijani youth to study at most reknown universities of France within the framework of cooperation with TOTAL company since 2007. The project "Study in France" organized under joint cooperation between SOCAR and TOTAL was started this year, too. As differed from the past years, only engineering qualifications were deemed expedient this year. 3 persons were selected from the candidates nominated by SOCAR to study at higher education institutions of France within 2014-2015 study year as a result of tests and interviews arranged by TOTAL company.

There announced admission of documents for project "French study in France" in December 2014 within 2015-2016 study year.

As a rule, SOCAR took a number of actions in respect to development of young specialists in 2014-2015. There held admission of documents for the Foreign Scholarship program of SOCAR and documents of 54 persons, who applied for the program, were reviewed. Upon acceptance of candidacy of 45 students whose parameters complied with the requirements, interviews were arranged for them by specialists of HUMAN RESOURCES DEPARTMENT and qualified experts

on specific disciplines. Admission of candidates who applied for the Program was reviewed by the Commission for Development of Specialists Abroad.

The students who are studying in foreign countries both within Scholarship Program of SOCAR and state-supported program organize different events at higher education institutions dedicated to Azerbaijan and thus, contribute to delivery of realities about our country to world community and are as active agitators of our land. The scholarship fellows held several promotion and propaganda events within 2014.

Meetings were held between management of Human Resources Department and UK Cardiff University, then with representatives of Southampton University. Key objective of the meeting was more development of the existing cooperation and establishment of friendship relations between the universities and SOCAR.

Representatives of Human Resources Department had speeches in several universities in order to raise awareness of programs and new projects offered to the youth by SOCAR. There held meetings between the representatives of Human Resources Department and students of Azerbaijan Technical University, Caucasus University, Azerbaijan State Oil Academy, Azerbaijan State Economic University. The presentations on SOCAR Scholarship Programs were held and detailed information on the program was given to the students. The students got detailed information on Foreign Scholarship Program, Scholarship Program for Higher Education Institutions, Paid Summer Practice and Summer School project and were familiarized with terms of participation in the program. Upon completion of the representation, representatives of Human Resources Department answered questions of the students concerning the programs.

SOCAR assigned monthly scholarship to 20 students from each course within bachelor degrees who had high study marks since 2004-2005 study year for the selected faculties of Azerbaijan State Oil Academy (Geological exploration, Gas-oil-mine, Chemistry-technology, Oil mechanics, Energetics, Automation of production processes, Economy, International economic relations and management) in order to develop talented young oil specialists and motivate the students to gain modern scientific and practical knowledges in oil & gas industry. SOCAR keeps its focus on such students and renders its assistance to them to have field practice in advanced enterprises of SOCAR, to determine themes of courseworks and projects as well as to compile such research works based on actual data of SOCAR.

Over the past years SOCAR raised its strict demand in development and management of personnel and so, there appeared new prestigious higher education institutions in development of young specialists. SOCAR adopted new Regulation "On awarding SOCAR scholarship to students of higher education institutions of Azerbaijan Republic" in order to expand scope of works of the competition, to increase activeness of the students and to reduce influence of the universities upon selection of the candidates. Students who study at all higher education institutions on bachelor's and master's degrees of Azerbaijan and comply with terms and requirements of this Regulation under the qualifications required by SOCAR, are entitled to participate hereof. It should be noted that number of the scholarship fellows on each course increased up to 30. The number of the scholarship fellows on each course increased up to 40 persons from 30 persons since 2011. Should winners of Internal Scholarship Program follow the terms, they are employed by SOCAR. 161 scholarship fellows were provided with offcompetition employment at SOCAR within the framework of Internal Scholarship Program hereof.

125 students according to the results of the interview held on 19.05.2014-02.06.2014 were awarded scholarship of SOCAR.

Human Resources Department implements "Paid Summer Practice" Program since 2010 in order to organize efficiently summer holidays of the students. Every year SOCAR realizes "Paid Summer Practice" Program for Azerbaijani students, who are studying on the qualifications, such as oil & gas, oil & gas facilities, drilling, geophysics, automation of processes, computer, construction, pipelines, ecology, petrochemistry and chemistry engineering, energetics, economy and programmer to have field practice within summer vacation. The Program is implemented in view of enhancement of practical knowledges of the students in various disciplines of oil & gas industry, getting more familiar with real work condition of them, examination of theoretical knowledges in practice and to collect more profound information about work parameters for SOCAR. The students who graduated 2nd, 3rd, 4th courses of bachelor's degree and 1st, 2nd courses of master's degree on the aforesaid qualifications, are

entitled to participate in the Program regardless of higher education institution. It should be noted that Summer practice lasts in the duration of 1 or 2 months depending on desire of any student. According to terms of the Program, temporary employment contract is concluded with the students in such duration and they are recruited in the capacity of least grade specialist. The internees get salaries as per time and occupation accordingly. At the same time, all privileges currently applicable for SOCAR employees are applied to the internees, too. 2804 persons applied for the Program and 858 persons were selected for internship since 2010.

1097 persons, who study at 58 higher education institutions in Azerbaijan and abroad, applied for competition announced at webpage of SOCAR within 14.04.2014 - 08.05.2014 under "Paid Summer Practice" Program this year. 236 students were admitted to the summer practice.

In view of countrywide high demand for young personnel in energy sector, State Oil Company of Azerbaijan Republic organizes the project "Summer School" for students of higher education institutions since 2010 in order to raise interest to energy sector of students who study at local universities and abroad, as well as young specialists.

Summer holidays of the participants were efficiently organized within the framework of projects "SOCAR Summer School" and alumni of SOCAR Foreign Scholarship Program and other specialists delivered detailed lectures to the students on the subjects such as Negotiations and legal aspects on oil & gas, Geological exploration and prospecting, Development, Oil & gas production and transportation, Development of social projects, Capital investment and economic operations, Oil & gas processing and petrochemistry, Strategic development and ecology, human resources management etc. Alongside with the lectures, excursions were organized to SOCAR enterprises and organizations for the participants.

Selection for project "SOCAR Summer School" is carried out on the basis of competition. The competition is realized in 2 stages. The candidates who comply with terms of the competition are invited to 1st stage. The first stage is conducted through test examinations. The applicants who collect the needed scores in this stage, pass to 2nd stage. Individual interviews are held with the applicants in the 2nd stage. 1230 persons applied for this project and out of them 192 persons were selected to take part in the project since 2010. It should be noted that alongside with the students SOCAR employees were entitled to participate in this project since 2012. It enables SOCAR employees to share their knowledges and skills with the students. Admission of documents for Summer School project was carried out from May 19, 2014 till June 10, 2014. The first stage of Summer School 2014 project was conducted on July 9-10, 50 specialists were entitled to be selected.



One of the distinguishing features of "SOCAR Summer School 2014" from the summer schools held over the past years is organization of visits to foreign countries, where SOCAR had assets and shares, for the winner teams (the participants were divided into teams within the project) taken the first three (3) places. The teams which took I, II and III places were on one (1) week excursions in Switzerland, Turkey and Georgia respectively. There conducted an anonymous online survey among the participants in "SOCAR Summer School 2014" project.

The survey aimed at organization of the project in more improved manner in the future years in view of the participants' opinions and suggestions about the project.

Therefore, the participants expressed their opinions on 3 categories - organizational level, subject and moderators of the day and quality of service rendered in the hotel. Then, outcomes of the survey were analyzed and the issues to be introduced in the next two projects were discussed.

The project "Engineers of the future" covering senior classes of secondary schools was started by Human Resources Department since November 2012. Implementation of the project "Engineers of the future" aimed to encourage the youth towards engineering professions being crucial and important for economic growth of our state, to enlighten school children about training & education projects and programs of SOCAR, to direct them to engineering disciplines and to take actions for development of professional specialists in the future through awareness-raising activities.

Multiple presentations on project "Engineers of the future" were held for more than 2000 senior pupils in several schools of Baku up to date. Such presentations were conducted at pilot school-lyceum #70 in Nizami district on January 29, 2014 and at secondary school #10 in Nizami district on February 12, 2014. Besides, the presentations on the project "Engineers of the future" were arranged in the presence of pupils from all secondary schools located at Binagadi district under the support of local executive power. Senior pupils of secondary schools #284, 297, 298, 299, 300, 301, 314 located at Binagadi district made use of the project "Engineers of the future" on February 10, 2014. Such events were continued in the presence of senior pupils from secondary schools #99, 100, 126, 143, 179, 244, 283 located at Binagadi district on February 18, 2014. Finally, the presentations on the project "Engineers of the future" were arranged in the presence of pupils from secondary schools #3, 102, 135, 144, 267, 276 located at the district on March 6, 2014.

The presentations on the project "Engineers of the future" were held at secondary school #250, on April 3, 2014, secondary school #251 on April 11, 2014, secondary school #12 on November 20, 2014, secondary school #32 on November 26, 2014, secondary school #272 on December 4, 2014 located at Nizami district.

The conducted presentations reflected history, structure, new projects of SOCAR and "Contract of Century" and dealt with activity of Baku Higher Oil School. As noted in the presentations, alumni graduating from Baku Higher Oil School are awarded local diploma and diploma of UK Heriot-Watt University as well. The alumni who are awarded diploma of Heriot-Watt University which takes advanced places on oil & gas education in the world, are supposed to be an internationally-recognized specialists. Then, they shall be provided with high salary employment by SOCAR.

Furthermore, information was given in respect to foreign scholarship, internal scholarship, summer school, summer practice realized by SOCAR and great importance was attached upon development of professional labours. It was mentioned that studying any profession at SOCAR training centres was very important and efficient, however the Company undertook overall education charges and employment. Significance of priority qualifications within SOCAR, such as oil & gas engineering, geology-geophysics engineering, chemistry engineering, mechanics engineering, computer engineering and ecology engineering was touched upon. As noted, if these pupils choose engineering qualifications in the recent future, they would acquire high living condition, high salary and convenience. Moreover, the presentations raised awareness level of the senior pupils on Baku Shipyard, Oil & Gas Processing and Petrochemical Complex, "Star" Oil Refinery in Turkey and TANAP (Trans Anatolian Gas Pipeline) being new investment projects of SOCAR.

Senior pupils of the schools distinguished at education were rewarded with valuable gifts of SOCAR. Thus, issues concerned by the pupils who intend to dedicate their future engineering activities to SOCAR, were discussed. One of the most important lines of work activity of Human Resources Department since its establishment is to develop knowledge levels, skills, abilities, competences and other occupational features needed of the employees, therefore management of centralized training system and to make use of their potentials to the maximum extent in view of career promotion of the employees.

There started application of "IT 0022 subtype 11" infotypes within SAP ERP HR module in respect to more effective management of training issues of SOCAR employees since 2014. So, training proposals of a number of outside organizations, including foreign companies were integrated and added into Trainings Catalogue and SAP ERP HR module within SOCAR.

SOCAR employees were continuously sent for trainings conducted inside of the country as well as most progressive scientific and industrial centres along the globe in 2014 in order to raise professionalism level and modern theoretical and practical knowledges. So, 9 employees working in Head Office as well as enterprises and organizations of SOCAR were sent on long-term retraining courses in “Project management” organized by School of Project Management at Khazar University in order to develop their knowledges and skills in management of projects and to assess properly innovations appeared in compliance with applications of international standards. Application of knowledges and skills obtained in such training courses plays a crucial role in the implementation of the existing projects. Besides, 3 persons were sent on retraining courses for “Baku Summer Energy School” by Azerbaijan Diplomatic Academy, and 2 persons for program “Foreign policy of Azerbaijan Republic”, 2 persons for program “State procurements and contracts administration” and 2 persons for program “State regulation of investment processes and state fiscal policy” organized by State Governance Academy under the President of the Republic of Azerbaijan.

Also, Training, Education and Certification Department arranged trainings on “Occupational health and safety” for 20 persons of Information Technologies and Communication Department on January 21-22, 2014 and for 10 persons of Ecology Department on January 23-24, 2014 in order to eliminate of training needs for “Occupational health and safety” within the framework of “Assessment of work activity” at SOCAR in 2014.

The specialists of Human Resources Department held meetings with the representatives of consulting companies over the past year. There surveyed opinions of specialists who had international experience in personnel development during these meetings and opportunities for application of such experiences at SOCAR were discussed.

One of key objectives set before Human Resources Department is to organize training process as per requirements of international standards in development, redevelopment and skill-raising on current professions of highly qualified specialists and labours for oil industry. Therefore, trainings organized at training centres of SOCAR and participants of such trainings were in focus within 2014.

In 2014, Training, Education and Certification Department of SOCAR conducted 303 trainings in Personnel Development Centre, 421 trainings in Offshore Survival Training Centre, 44 trainings in Gala Training Centre and 32 trainings in Sumgayit Training Centre. 3781 participants attended in the Personnel Development Centre, 3579 participants in Offshore Survival Training Centre, 641 participants in Gala Training Centre and 527 participants in Sumgayit Training Centre.



As every year, admission processes were carried out in training centres of SOCAR in order to develop qualified labours over the last year. As the 1st stage of student admission for Personnel Development Centre and Gobustan Regional Training Centre under Minutes 01/QK of the Admission Commission, the process of “Electronic admission of applications” was started as from June 3, 2014 and deadline was on 17 June 2014. 1357 persons applied for participation in the competition. According to overall outcomes of the test examination, totally 268 persons including 255 persons who gained high scores on the selected professions and 13 persons sent by Orphan Asylums under the support of H.Aliyev Foundation were entitled as winners.

As the 1st stage of the student admission for Sumgayit Training Centre of Training, Education and Certification Department in 2014, the process for admission of electronic applications was started as

from July 3, 2014 and deadline was July 13, 2014. 456 persons applied to participate in the competition and out of them, 349 persons passed to the next stage. 107 applicants were rejected as they did not comply with terms of the competition. According to overall outcomes of the test examination, 96 persons who gained high scores on the selected professions, were entitled to participate in the 4th stage of the competition.



Also in 2014, was announced the student admission for Gobustan Regional Training Centre of Training, Education and Certification Department within “Sustainable Development Initiatives” financed by BP and its coventurers. In view of implementation of the competition, the Commission for admission into training centres started the process for admission of electronic applications as the 1st stage of student admission on September 11, 2014 and deadline was October 12, 2014.

286 persons applied to participate in the competition and 87 persons were selected as winners.

Alongside with the above works, 2261 applications as well as 2189 e-applications were reviewed by Human Resources Department within 2014. Moreover, 1392 citizens/employees were received, their inquiries were addressed, proper investigations were carried out and the inquiries were replied. All the received applications were reviewed pursuant to requirements of Law №314-IQ dated 10.06.1997 of Azerbaijan Republic on Procedure of Citizen Applications Review.

XVII. OCCUPATIONAL SAFETY

Considerable works were carried out in organizational structures of SOCAR in respect to creation of healthy and safe working conditions, upgrading production areas, facilities and work places in compliance with the requirements of up-to-date standards and preventing industrial injuries, accidents and occupational diseases in 2014. Introduction of instrumentations and automation as well as testing and expertise of equipment, mechanisms and applications ensuring safe operation of facilities, equipment and mechanisms in performance of technological processes were realized. An amount to the extent of 16481275 Manat was spent for taking actions on improvement and upgrading of healthy working conditions at SOCAR enterprises in 2014.

Certain works were carried out for provision of employees with individual and collective recovery aids, and setting up of lifeboats and rafts were performed in all newly constructed deepwater jackets and only after these procedures the jackets were accepted for commissioning. The assigned crew members were trained in proper courses, instructed on maneuvering of new lifeboats and they were awarded relevant certificates for handling lifeboats in deepwater jackets in order to ensure evacuation of staff in case of accidents and fire and to fulfill emergency response operations effectively and efficiently by usage of the launched lifeboats adequately.

Provision of the employees of the Company enterprises and engineers/technicians of the Head Office of SOCAR working in production process with coveralls, boots, other personal protective equipment, life jackets, buoys and rafts for offshore facilities was improved, and usage of such coveralls and aids in all enterprises by the employees was regularly controlled. An amount of 4625091 Manat was spent for the provision of employees with coveralls, boots and personal protective equipment in 2014.

Fire extinguishing systems were refixed in a number of deepwater jackets, the deepwater jackets were provided with fire water pumps, majority of production facilities and dwelling blocks were outfit with fire alarm system and status of fire safety was improved. Continuing duty of rescue ships in near by fire-hazardous offshore jackets was provided and presently, instruction-trainings are organized in the presence of such ships in several facilities in order to ensure fire safety of the jackets. 3 new ships, having capacity to maneuver in stormiest and wavy weather conditions as well as to perform fire extinguishing and rescue-salvage operations, were purchased to enhance fire safety and thus, several requests were addressed to relevant state authorities for getting approval in order to hand over the aforesaid 3 ships in possession of Ministry of Emergency Situations of Azerbaijan Republic.

Periodic medical check-up of the employees was strictly controlled by Health and Safety Department in current year as it was followed over the past years. According to the plan schedule approved as from beginning of the year, 24023 persons on the Company enterprises of were subject to medical check-ups. As a result of the medical check-ups, different types of diseases of 1556 persons were found on various diagnoses. A few of the them were transferred to easy work, some others were prescribed in-patient and out-patient treatment and another persons were given a medical advice.

Measurement works were carried out at 4157 work places by industry-sanitary laboratories in 2014 and 1879 work places were found to be excessive more than norm. There assumed actions for compliance of such factors with the adequate norm and alignment of majority of the same factors with the norm limit were identified through re-measurement works.

An attestation was carried out at work places in 54 structural organizations of the Company enterprises in 2014. 1111 work places out of 4334 attested places were deemed hazardous according to outcomes of the measurement works. Alongside with proper actions for mitigation of hazardous production factors to health of the employees at such work places, arrangements were carried out for additional benefits (payments) due to hazardous work condition.

There developed statutory documents in order to instruct and coach the employees duly on safety in 2014. "Set of instructions on safety in drilling of oil & gas wells" and "Set of instructions on measurement and assessment of hazardous production factors in attestation of work places" reflecting safety rules at production sites, were developed by Azerbaijan State Scientific Research Institute for Labour Protection and Safety jointly with Health and Safety Department of the Company and came into effect upon approval by SOCAR president. First of them was published in a book form and delivered to the enterprises, the latter is prepared for publication. Another document "Rules of

structure of containers running under pressure in oil, gas and petrochemistry industry and safety” is under preparation.

For the purpose of identification, liquidation or minimization of the risks which might cause hazards, fires, accidents and occupational diseases in production sites, regular inspections were carried out in several production sites, in particular offshore facilities by Health and Safety Department of the Company and the permanent commission on occupational safety in 2014. Current state of working conditions was inspected at more than 270 production sites in 34 subdivisions of 6 enterprises of the Company. As a result of the inspections, 850 safety violation cases and other faults were detected and, subsequently there assumed measures for elimination of them and the majority of the detected faults were liquidated. The elimination of the remaining faults was under control, therefore, reinspections were carried out and implementation of actions for prevention of potential accidents, fires and explosions at production sites and of training-instructions on emergency response plan by the enterprises were supervised, in particular quality of performance of such actions at offshore facilities were surveyed and, provision of drilling wells with state-of-the-art blowout preventor, status of their control units, follow-up of well intervals and outfitting of exploitation wells with remote control casings were checked up. Construction and refurbishment of facilities were regularly inspected and performance of works in compliance with requirements of safety rules and the design was supervised. In this respect, a number of enterprises of the Company shaped activity and within international management standards, including “OHSAS 18001 – Occupational Health and Safety Management System” at the level of requirements of the contemporary period and obtained proper certificates. Health and Occupational Safety Department carried out monitorings in such enterprises, compliance of the relevant works with the requirements of the aforesaid standard was verified, the enterprises were rendered due methodical support in the related sphere, enlightenment works were conducted and the recommendations were given in the duration of the year.

Also, activities of contractor organizations working at the production sites were intensely supervised. Usage of special coveralls and due personal protective equipment by employees of such organizations and avoidance of entry of vehicles of other organizations into fire-explosive dangerous production sites, as well as appointment of responsible persons for overall administration in case of work performance at one production site by several contractor organizations and arrangement of integrated supervision over fulfillment of all works in compliance with requirements of safety rules were in focus.

In spite of the taken measures, 13 production accidents occurred in the enterprises of SOCAR in 2014, out of which 7 accidents were fatal. As a result of such accidents, number of death cases was 12 and number of injuries was 18. Two accidents resulted in death in a group form, were caused by breaking down of obsolete trestle in N.Narimanov OGPD that where 6 persons died and 12 persons injured upon these two accidents. Other accident which resulted in death of 2 persons was caused by blast emerged while the employees performing works not related to production in H.Z.Tagiyev OGPD.

Causes of the occurred accidents and investigation materials for the accidents were inquired and thus, impacts of human factor and other factors upon the accidents were assessed and analyzed. Relevant enterprises were given proper instructions to take due actions in order to avoid flow of people and vehicles in accidental and obsolete hydrotechnical facilities, to render safe service to wells and technological lines on these facilities, dismantling and removal and/or refurbishment of the accidental jackets in respect to prevention of such accidents, including ensuring safe operation of hydrotechnical facilities and prevention of probable incidents and fatalities.

There issued proper order by the Company and relevant enterprise for any fatal accident and while noting in such order the actions to be taken by heads of the organizations for prevention of fatal accidents and incidents the employees, including managerial staff deemed faulty in such fatal accident were reprimanded in order to bring to notice of the employees working in other structural bodies the situation and reasons of the occurred fatal accident and to take preventive actions for avoidance of such fatal accidents.

In total, 983 persons within SOCAR enterprises were subject to disciplinary punishment for violation of safety rules and negligence of accidents pursuant to orders of the departments and enterprises within the year. Out of them, 10 persons were dismissed, 140 persons were

reprimanded severely with a final warning, 584 persons were reprimanded and salaries of 249 persons were reduced.

However, 1450 persons at SOCAR enterprises were awarded valuable prizes, bonuses and certificates of honour for their exemplary safety performance in the course of the year as a motivating action in improvement of work condition and enhancement of quality of safety works. Creation of healthy and safe work condition at production, arrangement of safety works at due quality as well as keeping this discipline in focus regularly reflects highest values attached upon health and safety of the employees by SOCAR.



XVIII. ECOLOGY

Monitorings

In total, 828 environmental monitorings were conducted at production facilities of SOCAR in the duration of 2014.

Laboratory analyses:

Total number of samples received by Complex Researches Laboratory made up 3049 and number of overall analyses made up 37881. 1125 of the samples were taken from offshore facilities and 1924 of them from onshore facilities.

Maps developed in Geographic Information System

14 different maps were compiled in 2014 by Geographic Information System Management Group.

Documents of Environmental Impact Assessment (EIA): 7 EIA documents were developed in 2014.

Lands: 28.28 ha area for overall SOCAR production sites was decontaminated from oil wastes. Besides, lands to the extent of 8500 m³ which polluted with petroleum derivatives in 4 ha area of workshop #4 of "Ethylene-polyethylene" plant of "Azerikimya" PU was decontaminated through bioremediation method. The aforesaid area was provided with perlite 468 m³, organic fertilizer 1070 m³, chaff pack 554 m³, ground 5000 m³ and 300 m³ fertile soil (loam).

The following works were carried out in the construction of Baku Olympic Stadium by Social Development Department: ground water to the extent of 77836 m³, oil sludge 296768 m³ were removed the area and there delivered inttorpaqlama məqsədilə internal fill-in ground 420299 m³, external fill-in ground 157737 m³ in view of earthing.

Oil sludge to the extent of 150 m³ within Gas Processing Plant was treated by "ECOL Engineering Services" CJSC.

Produced waters: Number of absorbing wells running through close system within SOCAR reached to 117 in 2014 and out of 5.775 mln m³ produced water 4.186 mln m³ were utilized by the aforesaid system.

Wastes: Different wastes to the extent of 39467 tons within SOCAR enterprises were delivered respectively in 2014.

Actions taken for management of air emissions: In respect to reviewing progress of "Plan for reduction of associated gas emitted into air in the projects of SOCAR and involved by SOCAR" elaborated jointly with organization "Global Gas Flaring Reduction Partnership" (GGFR) of the World Bank in 2014 in order to compile reports, monitoring works were carried out within the organizations, which included in the Plan. At the present, works are ongoing within 4th phase of the cooperation with GGFR. The works are in progress in this phase for establishment of national coefficients in view of calculation of leak rates in gas delivery system.

The initiative "Zero-level flaring of associated gas in normal production process up to 2030" prepared by the World Bank in 2014 was supported by SOCAR and the counter party was notified about it.

Monitoring operations were performed and assessment works were carried out for identification of the projects on enhancement of energy efficiency and energy saving in regard to implementation of actions included in document "SOCAR Strategy for Mitigation of Impact upon Climate Changes" which compiled within the framework of cooperation with German Institute for Economic Research and approved by SOCAR president in 2010.

Moreover, declining of gas flare was achieved and volume of gas delivered to end user was increased as a result of improvement operations carried out in Chirag platform in 2013 owing to joint activity of working team established between SOCAR and BP.

Inventory-taking of air emissions were conducted in 2014 within structural units, operating companies and joint ventures of SOCAR in respect to execution of order 68 dated 24.04.2008 of SOCAR.

Works carried out by SOCAR in respect to management of substances regulated by the Stockholm Convention:

Inventory of electric equipment available at SOCAR enterprises and organizations, as well as operating companies and joint ventures were carried out in regard to the above Convention and

equipment with overall weight of polychlorbiphenyl were identified and recorded as set forth in the Convention in the reporting period.

Landscaping: 76076 different species of trees and bushes were planted at SOCAR enterprises and organizations, grassplots to the extent of 4700 m² were swarded and the existing greeneries were cared.

Environmentally enlightenment actions

8th International INEPO olympiad and 12 several environmentally enlightenment actions were taken under the support of SOCAR, 800 new environmentally enlightenment posters were erected at SOCAR enterprises and 3500 booklets were made on 7 different subjects in 2014.

Preparation of environmental normative documents: In total, 49 normative documents were prepared for enterprises and organizations including 20 "Environmental Passport" documents, 6 "Allowable Emission Threshold" documents, 6 "Admissible Flow Rate" documents, 17 "Hazardous Waste Passport" documents in 2014.

Works carried out for performance of sanitary-hygienic actions

Sanitary-hygienic actions were taken at 179 facilities by Hygienic and Epidemiological Centre of Ecology Department in 2014. Out of them, 14 actions were communal hygiene, 112 industrial, 52 nutrition hygiene and 1 action for kindergarten. There made analyses for 484 potable water samples, 1031 sanitary water samples, 93 food samples at bacteriological laboratory as well as 487 potable water samples and 42 food samples at chemical laboratory in the duration of the year. Bacteria and parasite carriers of 914 obligate group employees and staphylococcia of 407 persons were checked up at bacteriological laboratory.

General environmental works:

225 wells being at usage of "Azneft" Production Unit were connected to central vacuum gas line, 639 external casings were closed-off and 11 vacuum compressors were installed at "Neft Dashlary" OGPD in respect to collection and reversion of associated gas emitted or prevention of emission. 14 closed washing outfits were installed and handed over, but final completion works were carried out at other 5 outfits on account of internal resources in view of prevention of pollution of produced waters while performing overhaul and current repair works at the wells. Sea waters to the extent of 289.55 ths. m³ within Back Osmosis units installed at "28 May", "Neft Dashlary" and "Absheronneft" OGPDs in respect to improvement of water supply of the employees and, 3 small-scale treatment units were delivered to Fixed Drilling Offshore Platforms and current repair works were carried out by "Azerkimya" Production Unit at small-scale treatment units in Deepwater Offshore Platforms 6, 9, 13, 14 of "28 May" OGPD in regard to purification of domestic sewages and flow into sea. Oil pipeline at 58515 m length were dislocated into underground in order to protect from frost of oil pipelines at onshore OGPDs in winter season. 4 abandoned wells with borehole drifts upstructures in "Neft Dashlary" aquatory were cemented and well abandonment facilities which developed by Oil & Gas Research and Design Institute, fabricated and in-factory tested by "Azinmash" SJSC, were supposed to be applied in "Neft Dashlary" OGPD in order to ensure environmental safety of the wells.

Construction of new "Biomass" biological treatment unit was continued in the area of H.Aliyev Baku Deepwater Jackets Plant, and construction of new biological treatment unit at 1500 m³/day capacity for purification of sewage waters generated in the enterprise, was started (April 1, 2011) and construction works to the amount of 490000 Manat within the reporting period.



5 water meters were installed within H.Aliyev Baku Oil Refinery in order to control over quantity of water consumed. Whizzer separators at unit № "R-202" were replaced in order to prevent catalysers emitted at production facility №5 for catalytic cracking of the Refinery.

Old spray nozzles at "S-2" və "S-3" furnaces were replaced with 26 new and modern bleeder stacks due to malfunctioning of ignition process while conducting maintenance at furnaces of ED-AVQ-6 №21 of production facility №2 on prerefining of crude oil.

Area of sludge bed of biological treatment unit to the extent of 700x3.1 m was fenced.

Environmental investigation of 5648 vehicles and special machineries being at balance of SOCAR Transport Department was carried out according to the approved schedule. 769 vehicles, which do not meet standards because of its time elapse and obsolescence, were handed over to be written-off. Besides, 139 modern different vehicles and special mechanisms complying with Euro-4 standards were purchased. Two large projects - construction of new treatment unit for purification of industrial effluents and biological treatment unit for purification of domestic wastewaters were launched in Gas Processing Plant.



XIX. TRANSPORT SUPERVISION

5628 automobiles and special machineries existed at the balance of SOCAR departments and enterprises up to 01.01.2015. Out of them 2431 vehicles function with auto-petrol, 2974 vehicles function with diesel, 16 vehicles function with electric power and 207 vehicles are trailers.

List of motor-vehicle transport and special machineries at the balance of Transport Department of SOCAR is shown in Table 1.

Table XIX.1

Name of enterprise	Car	Bus	M/ bus	Truck	Special machineries	Tractors	Trailers	Fixed	Total
Technological transport subdivision #1	574	58	36	33	23	23	4	0	751
Technological transport subdivision #2	348	57	15	221	77	74	14	2	808
Technological transport subdivision #3	192	130	17	335	140	184	70	0	1068
Technological transport subdivision #4	310	105	28	310	151	154	66	3	1127
Technological transport subdivision #5	73	35	4	187	238	205	16	97	855
Technological transport subdivision #6	173	96	3	297	197	211	37	5	1021
Total on Transport Department	1670	481	103	1383	826	851	207	107	5628

So, thanks to expedient works performed, spare parts were timely delivered in order to ensure technical availability of vehicles and special machineries and as a result, maintenance and repair works for them were fulfilled with high quality. There observed a decline in ordering by the customer organizations resulted from efficient use of vehicles and special machineries concerning actions for reduction of transport costs in regard to application of new tariff rates and therefore, usage coefficient of park for vehicles and specific machineries totaled to 0.58 during 12 months of 2014.

567 automobiles and special machineries standard operation of which expired, became wear and tear and are not economically favorable to be operated and repaired, were inspected on place by relevant divisions, then proper opinions were prepared and submitted to the management to write off them in 2014. Subsequently, the aforesaid 221 automobiles and special machineries were written off from the balance of enterprises, 61 automobiles were sold and 10 automobiles were handed over to the balance of Azerbaijan National Academy of Science under proper orders of SOCAR.

158 new machineries were purchased and put into service instead of the written-off machineries.

List of vehicles and special machineries for departments and enterprises of SOCAR which written-off, newly purchased, sold and handed over to balance of joint ventures in 2014, is shown in Table 2.

Table XIX.2

No	Name of enterprises and departments	Purchased in 2014	Written off in 2014	Sold	Extracted from balance
1	"Azneft" PU	0	2	0	0
2	"Azerikimya" PU	0	19	0	0
3	"Azerigaz" PU	1	41	0	0
4	Oil Pipelines Department	10	10	0	0
5	Security Department	0	2	0	0
6	Ecology Department	0	0	0	0
7	"Kompleks qazma işləri" trestı	0	95	0	0

8	Complex Drilling Works Trust	22	0	0	0
9	Oil and Gas Construction Trust	0	0	0	0
10	"Azerneftiyagh" Oil Refinery	5	33	0	0
11	Gas Processing Plant	1	12	0	0
12	H. Aliyev Baku Deep Water Jackets Plant	0	0	0	0
13	Geophysics and Geology Department	7	0	0	0
14	Transportation Department	105	6	61	10
15	Gas Export Department	6	0	0	0
16	Inform.Technol.&Commun. Department	1	1	0	0
17	Social Development Department	0	0	0	0
Total on SOCAR		158	221	61	10

According to instruction of SOCAR management the renewal of old vehicles and special machineries is implemented gradually step by step taking into consideration the presence of old vehicles and special machineries at balance of SOCAR enterprises.

There carried out certain works on usage of fuel-lubricants within the reporting year. The reports for 2014 on fuel consumption submitted by SOCAR enterprises and departments were studied. 4666.037 tons of auto petrol and 5267.759 tons of diesel fuel were saved during 12 months of 2014 as a result of the taken actions.

While inspecting usage of equipment, vehicles and fuels-lubricants at SOCAR enterprises in the reporting year, proper instructions were made by management and specialists of Transports Supervision Department and brought into notice of heads of those enterprises for elimination of shortages and deficiencies found. In principle, this arrangement was followed up at all transport enterprises.

Demands of the enterprises for procurement of spare parts were reviewed and proposals were submitted for procurement of them.

Moreover as distinct from last years, requests from enterprises about purchasing of transport means and special machineries were reviewed reasonably and upon review, the management proposed to procure them. This arrangement is ongoing now.

In view of increase of efficiency of transport means, the following works were carried out in 2014.

Operation as per statutory documents, proper use, running, route plan, efficient usage of fuels-lubricants for vehicles and special machineries being at possession of the enterprises and departments were supervised. Functionality and updating of Arvento GPS navigation system was fulfilled by specialists of the aforesaid Department, however, its application was entrusted to Transport Department. Thus, it is possible to obtain detailed information on location of transport means in any point of the republic, on its driving speed in safety standpoint and in one word, to get information on any vehicle everyday through this system.

Tracing devices and trackers which fixed upon vehicles and mechanisms were reinspected as per the table and, maps and schemes were updated and fixed upon new vehicles.

Table XIX.2

Cars	635
Buses	44
Special automobiles	18
Trucks	132
Tractors	1
Total	830

There established Technological transport subdivisions by zones in order to control over use of special machineries and vehicles at Transport Department of SOCAR. Monthly repair works for vehicles and machineries were carried out through computer program at transport units. Transport means, which completed its daily work, were arranged to serve to several customers in need for prevention of standby. Control over prevention of surplus drives was intensified and for this reason, there compiled a route map for transport means of newly opened facilities and

specialists of Transport Supervision Department intensely supervised it. Parking of vehicles in garages on Saturdays, Sundays and holidays was provided and this regulation is ongoing now. Receipt of all reports, proposals and opinions delivered to Transport Supervision Department was carried out via email.



Fuel consumption norms approved by SOCAR were redeveloped and applied in 2014 in regard to recently commissioning of new various vehicles and machineries produced abroad. Adequate actions plan was drawn up and implemented at the related points in order to prevent road traffic accidents.

Transport Supervision Department is in charge of supervision over not only road transport, but also orders for sea and air transport, work hours under the orders, amounts to be paid for the service and efficiency of them. In this respect, as compared to 2013 air transport services were reduced as 850.52 flight hours, sea transport services and sea transport costs were reduced as 89357 ship work hours and 17521147 Manat respectively within 2014 owing to the actions taken by the Department.

Table XIX.3

№	Name of departments	2013		2014		(+; -)	
		Flight hour	Amount manat	Flight hour	Amount manat	Flight hour	Amount manat
1	Complex Drilling Works Trust	1673,47	7228174,64	1489,14	6930862,80	- 184,33	- 297311,84
2	Oil & Gas Construction Trust	719,17	3109386,98	972,46	4462317,07	+253.29	+1352930,09
3	"Azneft" Production Unit	5189,24	22692,07	4269,76	19753,21	- 919,48	- 2938,86
	TOTAL:	7581,88	10360253,69	6731,36	11412933,08	- 850,52	+1052679,39

Comparison of actual ship work hours on sea transportation and sea transportation costs

Table XIX.4

Name of subdivisions	Plan for 2014		Actual for 2014		Actual for 2013		2014/2013 in comparison, +/-	
	hour	cost	hour	cost	hour	cost	hour	cost
28 May OGPD	50578	20006536	57713	22820817	70976	25614117	-13263	-2793300
Neft Dashlary OGPD	43494	15102505	42806	14594594	53896	17208977	-11090	-2614383
N.Narimanov OGPD	53460	10708687	68965	14159444	78228	14946928	-9263	-787484
Absheronneft OGPD	55352	5915371	60687	6422700	79167	7790949	-18480	-1368249
CMS Azneft PU		3595680		7565395		3613625	0	3951770
Transport Department	12815	726132	12774	715119	14460	771852	-1686	-56733
Oil & Gas Construction Trust	62458	29192702	109063	36379922	114265	32549817	-5202	3830105

CMS (OGCT)		6532625		4000417		6103129	0	-2102712
CDWT	26125	11038093	40141	19685961	60645	27837603,37	-20504	-8151642,37
CMS (CDWT)		3958625		3765519,26		9345631,33	0	-5580112,07
GGD	15785	7387512	14021	4888088	12777	4605013	1244	283075
Diving and Salvage- Rescue Department	41492	7673325	19126	2065054	28321	3511638	-9195	-1446584
Ecology Department	1947	568502	951	286195	2869	971093	-1918	-684898
Within 12 months	363506	122406295	426247	137349225	515604	154870372,7	-89357	-17521147

Current works and proper tasks of SOCAR management were followed up by Transport Supervision Department alongside with the aforesaid.

XX. SOCIAL ISSUES

As every year SOCAR took an active part in countrywide social life and made its contribution and support to all key social-economic projects implemented in our republic in 2014.

Capital construction and overhaul works were carried out in several regions and cities of our republic within the framework of State Programs, which adopted in respect to social-economic development of the regions, at the expenses of SOCAR in 2014.

Reconstruction works for administrative building in the area of stadium in Bakikhanov settlement and construction-fabrication works for Guest House of SOCAR in Buzovna settlement in Baku city are ongoing.

Construction works for 21-apartment 3-floor residential buildings were completed due to demolition of obsolete 2-storeyed residential building #8 located at alley 5, City highway in Sabunchu district.

Construction of Baku Talents Education Complex in Baku city was continued, but construction of French lyceum in Nobel avenue of Khatai district was completed and its commissioning was planned. Construction of 220-pupil special boarding-school #2 in Shuvelan settlement of Khazar district was ongoing.

Underground maintenance and construction of SRS of "Bibiheybatneft" OGPD in the area of 3rd mine of A.Amirov OGPD at Lokbatan settlement of Garadagh district and are under commissioning. Construction works were continued at the site of reconstruction of existing administrative building of SOCAR Gas Export Department located at 21 F.Bayramov street, Khatai district, Baku city.

Moreover, restoration and accomplishment of parks, facades and house roofs of residential buildings in Baku were carried out in 2014.

A number of repair-construction works were performed in several regions of the country at the expenses of SOCAR. So, capital repair of monumental complex in Siyazan region, erection of State Flag in Guba region and mansard roof works in residential buildings located at 3 S.Gurbanov street and 16 I.Hasanzade street in Naftalan city were completed.

In total, gas pipelines to the extent of 1436.56 km (including 1286.96 km in regions) were laid and gas pipelines to the extent of 353.9 km (including 163.6 km in regions) were overhauled in 2014.

Up to January 1, 2015, 4383 persons were registered on housing of SOCAR that out of them 442 persons live in several regions of the country (Siyazan, Shabran, Imishli, Kurdamir, Salyan, Neftchala and Shirvan city) and 3941 persons live in Baku city.

37 oil-worker families were provided with housing by SOCAR in the reporting period. Out of them 8 persons were provided with apartments newly constructed by SOCAR as well as flats modified from due alterations and repair works in non-residential premises being at balance of SOCAR and, 29 persons were provided with apartments through "Neftchi" housing-construction cooperative.

303-apartment residential buildings located at 35 Arif Ismayilov street, Khatai district and 312-flat residential buildings located at Lokbatan settlement, Garadagh district were constructed and put into use by "Neftchi" housing-construction cooperative. At the present, construction of 187-flat residential buildings located at Sahil settlement, Garadagh district is ongoing and is planned to be put into use in the short run by the cooperative. Besides, construction of 9-storey 128-apartment residential building at M.Hadi street has been started and at the present, the dwellings in the same building are distributed. At the same time, 12.51 ha land was allotted in western part of Hovsan settlement of Surakhany district in respect to construction of private houses for employees on housing registration within SOCAR that it was planned to allot 400 m² private land to each of 211 families in the same area and they would be distributed in the short-run.

Furthermore, preparatory works were ongoing in the area of Bibiheybat settlement in view of construction of new residential complex in order to provide more than 600 families with housing. At the same time, 31.05 ha industrial-purpose lands being at the balance of SOCAR, which located in the regions, were reclassified into category of housing estate lands and therefore, proper documentation procedures were fulfilled in order to provide persons in such regions, who are on housing registration within SOCAR.

Also, relevant works were ongoing towards provision of the employees with garden plots in centralized manner on SOCAR.

The State Oil Company carries out large-scale actions in solution of social problems of oil workers by focusing on this direction regularly. It is worth to emphasize the works carried out in alignment of activity of social facilities to modern requirements for promotion of social welfare of the oil workers over the past period. According to "Social Development Program on 2011-2015 for improvement of social welfare of the employees working in the structural units of State Oil Company of Azerbaijan Republic" approved by joint statutory order of SOCAR and Azerbaijan Oil & Gas Industry Workers Trade Union Republican Committee, arrangements on 171 clauses were fulfilled completely and on 171 clauses were fulfilled partially from the overall actions comprised by 494 clauses to be executed and preparatory procedures were ongoing for commencement of other necessary works.

New administrative buildings were constructed for Transportation Special Machinery Unit and Gas Maintenance Areas in Nizami, Zagatala, Siyazan, Shabran, Gusar, Salyan, Terter, Shamakhy and Lenkaran regions, and it is planned to carry out at new administrative building of Yevlakh Gas Maintenance Area in order to create work condition at the level of up-to-date standards for the employees of "Azerigaz" Production Unit. New administrative buildings handed over were supplied with modern equipment and office furnitures. Overhaul and current repair works were carried out at the administrative buildings needed for repair at 13 sites and garden plots were landscaped and accomplishment works were fulfilled. Heating systems were installed at the buildings newly constructed and overhauled and normal working conditions were created for the employees. 11 shower-rooms, 12 cloakrooms, 12 recreation nooks and 8 kiosks were constructed and handed over within the Production Unit over the past year. New modern canteen building for 120 persons was constructed in the yard of "Azerigaz" Production Unit and the canteens handed over at Gas Maintenance Areas in Absheron, Khazar and Garadagh districts were supplied with necessary inventories and equipment. 250 water dispensers were purchased and laid in order to provide potable water regularly for employees working at some production area. There created recreation nooks at 220 areas in respect to rest of the employees during lunch time, and open type mini-sports grounds in some areas were constructed and outfit.

Administrative buildings of Gas input and output workshop as well as Petrochemicals input and output workshop of "Ethylene-polyethylene" plant of "Azerikimya" Production Unit were overhauled, cloakrooms for 52 men and 18 women at the building, one storage room, shower-rooms and lavatories were fully repaired, put into use of the employees and the areas were supplied with modern equipment and office furnitures. 24-seat and 20-seat cafeteria rooms were constructed inside of the workshops and were supplied with kitchen furnitures, tables and other appliances and put into use of the employees. Capital repair works were completed in cloakrooms for men and women, 42 shower-rooms and lavatories at premise T-2 of "Repair-construction" unit. The cloakrooms were supplied with 150 wardrobes.

The dwelling blocks at NIH and NS of deep water jackets 2, 6, 9, 10, 11, 15, 19 of "28 May" OGPD were overhauled and put into use of the employees upon provision with all necessary furnitures and materials and presently, such works were ongoing at deep water jacket 14. New dwelling block was reconstructed for employees (60 persons), who would work at gaslift compressor station constructed at deep water jacket 4, and supplied with necessary furnitures and equipment, 12 split type air-conditioners were installed and accomplishment works were carried out in sanitary units. Cooling-heating systems were put into use at deep water jackets 3, 5 and 8. Household area and new administrative building were put into use for ETIIS and ESS at deep water jacket 10. Modern split-type conditioners were installed in chief cabins/messing spaces, red corners and canteens of all deep water jackets, and furnitures were set up in chief cabins/messing spaces and red corners of deep water jackets 3, 4, 5, 8, 10, 11 and 14. Living quarters and dwelling rooms were supplied with essential beddings.

Changing and locker areas for the employees working at the deep water jackets, were supplied with 650 metal wardrobes. House roofs of the administrative buildings for IXB, QAYTS and IATS located in Chilov island, capital repair works were carried out at IXB and replacement of house-roof of dormitory building 4 was ongoing. Two water reservoirs at each 1000 m³ were constructed and put into use for water usage in order to meet water demand of the island residents. Gas turbine station was constructed and handed over in the island in order to ensure sustainable electric energy of the residents. Full accomplishment works were carried out in the island and more than 52000 trees were planted. Besides, construction of Sports and recreation

complex, tea house, 280-seat meeting hall and new waiting space in quayside was continued. Considering the needs of the employees for dormitory areas, administrative building of the former kindergarten was reconstructed and modified into residential area.

Current repair works were carried out in corridors, rooms and facade of dormitory buildings being at the balance of "Neft Dashlary" OGPD. Cleanup works were performed at tea house, helicopter deck, settlement and park and roads were cleaned out, grass-plot was placed at the park, trees were cut off and such works were ongoing regularly. New administrative buildings were constructed within the OGPD in view of workshops for Repair of operation equipment, Auto transport and special machinery, Integrated oil output and delivery, Maintenance of formation pressure and survey and the buildings were supplied with necessary household appliances and put into use. New modern Heating Power Station was constructed and current canteen was repaired and equipped at Neft Dashlary OGPD. 27 different camp cars were purchased and equipped duly and put into use of the employees working at the jackets over the past year. Overhaul and current repair works were performed at administrative buildings, lavatories and kitchens of OGPDs 1, 2, 4 and 5. Fixed Drilling Offshore Platforms 1841, 1517, 1201, 741, 1887 and 2585 were repaired and supplied with necessary household appliances. As a result of actions taken, the administrative building of the OGPD and dormitory complex 1 were supplied with uninterrupted hot water all day long through Back Osmosis units. Reserve furnace 2 for bakery was installed in bakery workshop.

Disinfection actions were carried out in the workshops and dormitory blocks. Refrigerators and conditioners were overhauled and put in order in dormitory blocks, jackets and areas.

Canteen of the dormitory located at EYM 110 in the area of OGPS 2 of N.Narimanov OGPD was enlarged and a room supplied with necessary equipment was additionally arranged in order to spend leisure time of the employees.

17 dormitory cabins, 2 household laundries and 1 stockhouse were purchased and erected at the areas in respect to improvement of living condition of the employees working in oil-mine facilities of the OGPD. It was planned to install 1 Osmosis type biological treatment unit at Fixed Drilling Offshore Platform 122 of OGPS 4.

Proper actions were taken in respect to improvement of social-household condition of the employees working at "Absheronneft" OGPD, A.C.Amirov OGPD, H.Z.Tagiyev OGPD, "Bibiheybatneft" OGPD, Logistics Unit and other subdivisions in the subordination of "Azneft" Production Unit.

2300 employees, who work at shifts (rotation) at deep water jackets located at "Gunashli" field, at Fixed Drilling Offshore Platform 1 of "Umid" field as well as in compressor stations of QYHK and CTS located at "Neft Dashlary" field of "28 May" OGPD were supplied with high quality hot meal free of charge in a day.

171 camp cars were purchased and erected and 37 camp cars were overhauled and equipped duly for improvement of the living and household conditions of the employees, who work at special deep water jackets, trestles and other ashore production sites. Some sites were overhauled and supplied with the new household appliances. New modern style administrative buildings were constructed in 28 sites and administrative buildings in 40 sites were overhauled, maintained and working rooms thereof were supplied with state-of-the-art equipment and such works are ongoing in 7 sites for the purpose of improvement of social and household conditions of the employees, who work in production sites. Besides, shower rooms were constructed in 12 sites, shower rooms in 97 sites were overhauled, cloakrooms in 4 sites were constructed, cloakrooms in 112 sites were repaired and supplied with new 2098 wardrobes and hygienic rooms for women were fabricated in 5 production sites. Considering the demand of some departments and enterprises, approximately 342 water dispensers were outfit and 13 water carriers at the capacity of 8-10 tons were procured in view of provision with potable water of the employees working in production sites. For the purpose of nutrition of the employees, new canteen buildings were constructed in 18 sites, and existing canteens in 26 sites were overhauled and supplied with state-of-the-art facilities and equipment. 119 buses, including 21 large-capacity, 91 medium-capacity and 7 small-capacity buses were purchased for convenient transportation to and from workplace of the employees;

"Neftchi" Sport and Health Centre which functioned in the structure of SOCAR Social Development Department and presently, "Neftchi Sport Club" Public Union established by shareholding of SOCAR gives its contribution to development of our countrywide sports. There

are 13 sport facilities at the balance of “Neftchi Sport Club” that approximate five thousand teenagers and youth as well as more than 1500 oil & gas workers go in for sports under guidance of 183 professional trainers and instructors on 36 sport types in such sport facilities. Hundreds of sportsmen participated in more than 300 tournaments and gained high achievements over the past period. So, our sportsmen totally were awarded 1785 medals, including 670 gold, 515 silver and 600 bronze medals by taking part in world and European competitions, well-known international tournaments and competitions for olympic and non-olympic games in the republic, Baku and other levels in this period.

Arrangement of recreation and leisure time of the employees is a part of social activity pursued by SOCAR. So, 2-3 day and several-day recreations of approximate 2613 oil workers and their family members were organised at countrywide recreation zones and rest area located in Bodrum of Turkey Republic over the past period. 1605 oil-engineers, who needed medical treatment, were sent to sanatorium-resort treatment centres and in addition, treatment of approximate 1834 persons was provided in sanatorium “Rixos” located at Naftalan town.

The provision of material aid to the employees were continued, martyrs’ families and disabled war veterans were in focus according to the Regulation on providing the employees of the State Oil Company of Azerbaijan Republic with the material aid by the Company over the past period. The provision of material aid was continued for 27522 refugees settled in “Dordyol 1, 2”, “Tazakand” villages and Dordyol-Mamyryly area in Agdam region, in Tartar region and at Ahmadalylyar, Mirzanaghyly and Gazakhlyar villages of Fuzuli region and to 1700 refugees and martyrs’ families settled in Sumgayit city, who were into custody of SOCAR with the appropriate Decree of the President of Republic of Azerbaijan.

Families of internally displaced persons temporarily settled in buildings and social facilities at the balance of enterprises and organizations of SOCAR are under regular care and out of them 2300 persons were employed by the Company departments and enterprises.

State Oil Company of Azerbaijan Republic has decided on provision of voluntary medical insurance of its employees in respect to promotion of their health since January 2012. Approximate 60000 employees of the Company were rendered medical service within the framework of such insurance program ion 2014.

All employees are provided with first/emergency aid, out-patient and in-patient service, periodic checkups etc. by major modern hospitals and medical institutions in our country. Large-scale rebates are granted in checkup and treatment of families of oil workers in such medical institutions.

“Hot line” running in Head Office received more than 500 calls for various requests (150 complaints) in 2014 and all requests were investigated in an expeditious manner and subsequently, due actions were taken. Qualitative performance of checkups and compiling of acts and formal notes on checkups timely and properly were supervised within the year under special checkup schedule according to list of employees to be involved in periodic medical checkup.

Arrangement of registration and of checkup and treatment of the insured pensioners within SOCAR was carried out and questions of applicants concerning medical service were replied half-monthly in “Iki Sahil” newspaper.

“Donor Day” was organized within structural units of SOCAR in the reporting period. Blood samples were taken from 1229 persons in this campaign and it has planned to continue such campaign in 2015.

