

# YourTube

Technology Motion Knowledge

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№2-3 (02-03)

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**Forging the  
Path of  
Innovation**

# Global Premium





TMK IPSCO COLLEAGUES AND PARTNERS:

As we celebrate the holiday season and head into the new year, it is a great time to reflect upon who we are, how far we’ve come, and what’s important to us as a company. We have accomplished a great deal in the past year – focusing on our core business, expanding our presence in the industry, gaining financial strength and building great teams at all levels and locations across the company. This success is due to the partnership of our customers and clients, as well as to the hard work and dedication of our employees.

We now have more than 2,300 employees at our 14 locations in the U.S. and Canada, with plans for continued expansion in the years ahead. At TMK IPSCO, our vision is to lead the industry in value, quality, service and innovation to become the top global supplier of tubular solutions. I believe we are well on our way toward achieving this vision.

Our company has a unique and interesting history, pulling from the histories of many companies at once, and we are building from those histories into a bright new future. We are creating our future by concentrating our efforts on five important values:


- Innovation
- People
- Safety & Sustainability
- Customer Focus
- Outstanding Quality

Going forward, we will ask ourselves every single day if our actions line up with these ideals as they should. My personal commitment to both our employees and our customers is that I will lead by example, and will continue to build a company that personifies our values not just for a few years, but for decades to come. I appreciate your ongoing support, feedback and commitment to help make TMK IPSCO even stronger than it is today.

Thank you again for contributing to our success in 2010, and for your continued partnership in 2011. Best wishes to all of you and your families for a very happy holiday season, and a joyous new year.

Sincerely,  
Piotr Galitzine  
Chairman, TMK IPSCO

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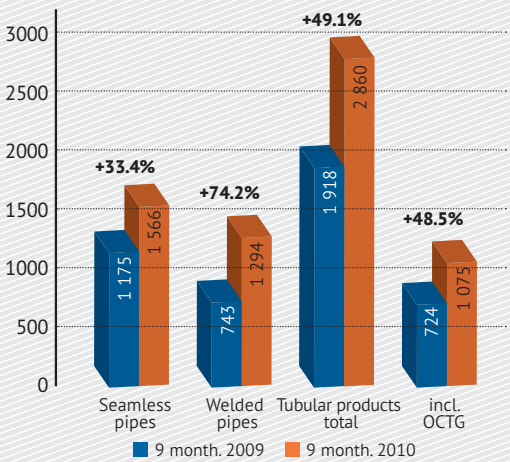
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01 ■ YOURTUBE



Shipments of Tubular Products (thou. tonnes)



»» SHIPMENTS RISE 49%

During the first nine months of 2010, TMK shipped 2,860,000 tonnes of steel pipe to its customers, a 49.1% year-over-year increase resulting from positive changes in the market situation. These changes were brought about by several factors. First, demand was high for large-diameter pipes, as oil and gas companies in both Russia and America increased orders for numerous products, including OCTG and premium threaded connections. Second, industrial pipes also saw significantly increased demand.

The surge in TMK product markets reflected on the company's first-half results calculated to International Financial Reporting Standards. Sales grew 73.6% to just over \$2.5 billion. Net profit stood at \$67.3 million against a net loss of \$203.8 million in the first half of 2009. Adjusted EBITDA more than doubled to \$414.7 million. Profit based on adjusted EBITDA rose from 9.9% in the first half of 2009 to 16.2% in the first half of 2010. ■

»» CHINA TESTS PREMIUM CONNECTIONS

Casing with TMK FMC premium-class threaded connections has passed qualification tests at the Tubular Goods Research Center (TGRC) of the China Oil and Gas Corporation CNPC. Tests to check for bend, break-out and twisting were carried out on 178.8 mm-diameter casing with 10.36 mm wall thickness, in C90SS strength group, with TMK FMC premium-class threaded connections. The casing is produced by the Chinese company XinjiangSTER, a TMK-Premium licensee.

Based on the results of the qualification tests, the casing was awarded the TGRC Institute's certificate of conformance, which certifies that the operational characteristics of the TMK FMC threaded connection meets the ISO 13679:2002, CALII standard. This certificate allows substantial increases in deliveries of TMK pipes with premium-class threaded connections to Chinese and other overseas oil and gas producers. ■

»» TMK BECOMES EVEN MORE TRANSPARENT

TMK has reaffirmed its status as one of Russia's most transparent public companies, ranking sixth in the 2010 transparency rating prepared by Standard & Poor's and the Russian Economic School's Center for Economic and Financial Research and Development.

TMK moved up one level over its 2009 rating. The study on which the ratings are based analyzed the way international investors view open-source information on 90 major Russian public companies. Regarding general transparency, TMK has a rating of 75%; in the key category of "Ownership Structure and Shareholder Rights," TMK has a rating of 87%. ■

»» VTZ CREATES NEW PRODUCT

The Volzhsky Pipe Plant (VTZ) has developed a new type of casing for Russian oil major LUKOIL that has special properties for use in environments with increased content of hydrogen sulfide and in rigorous climatic conditions. An important stage in the development of the new product was the production of an experimental consignment of pipes with a diameter of 244.48 mm and a wall thickness of 10.03 mm, made from steel of grade 25XM1FBA of strength group C-90 SS. The pipes were rolled according to the existing technology, after which they underwent further thermal treatment for tempering. Several sessions of thermal treatment produced the required set of mechanical properties. ■

»» TAGMET GETS ADDITIONAL LICENSES

The Taganrog Metallurgical Plant (TAGMET) has undergone a recertification audit to check whether the quality of its pipes meets the standards of DIN EN 10240, DIN EN 10255, DIN EN 10216, and DIN EN 10210. The plant's manufacturing processes and products were inspected for conformance to the requirements of AD 2000-MerkblatWO, Directive 97/23/EC, AnnexI, Chapter 4.3. The audit was conducted by TUVNORD Systems GmbH & Co. KG. The auditors noted the high qualifications of TAGMET's staff and confirmed that the plant's quality management system and products met international standards. Based on the audit results, a decision was made to broaden TAGMET's certified products range. Consequently, the plant received additional licenses to produce according to DIN EN 10208, DIN EN 10305, and DIN EN 10297 standards. ■



»» VTZ CONFIRMS CONFORMANCE TO API STANDARDS

The Volzhsky Pipe Plant (VTZ) has successfully undergone a recertification audit by the American Petroleum Institute (API). The audit aimed to evaluate the effectiveness of the processes in the management system and their compliance with the requirements of ISO 9001:2008/API Spec Q1. Another aim was to evaluate Volzhsky's ability to produce according to both API Spec 5L and API Spec 5CT standards. The audit was needed to prolong VTZ's certificate for its quality management system, as well as to renew its licenses to apply the API monogram.

Chief Auditor Konstantin Polyakov expressed a high opinion of VTZ's quality management system, confirming its effectiveness and its conformance to API Spec Q1 and ISO 9001:2008 standards. The auditors have recommended that API prolong VTZ's licenses to produce according to the API 5L and API 5CT standards for another three years. ■

»» MARKETS

The U.S. Department of Commerce has imposed tariffs on Chinese seamless pipes made from carbonaceous and alloyed steel with a diameter of up to 16 inches. Countervailing duties have been established at rates between 13.66% and 53.65%, as well as anti-dumping duties at rates from 48.99% to 98.74%.

The duties were introduced following complaints from U.S. Steel, the American divisions of France's Vallourec SA, and Russia's Evraz Group. The petitioners had declared that the increasing deliveries from China were the result of below-market prices. Several other cases are being investigated in the United States concerning Chinese deliveries of steel products, in particular drill pipes. Tentative duties ranging from 2.66% to 429.29 % have been imposed on Chinese drill pipe imports.

In September 2010, the European Commission (EC) published its final report on the Romanian steelmaking industry's performance. According to the report, Romania has successfully restructured its state-owned enterprises, and state aid in the form of writing-off historical debts has been used efficiently. The EC acknowledged that the enterprises' viability indicators, such as stability, productivity, and expense reduction, were acceptable and met EU standards. The following large state-run steel plants, among others, have been monitored since 2005: Arcelor Mittal Galati, Mittal Steel Hunedoara, Mechel Targoviste, Michel Campia Turzii, TMK-Resita, and Tenaris Donadid.

»» APPOINTMENTS



**Sergey Rekin** has been appointed General Director of OAO TMK Premium Service. He was previously in charge of technical monitoring at TMK Trade House. Rekin, who has a Doctorate in Engineering

Sciences, has been with TMK since 2006. Under Sergey Rekin's direction, TMK Premium Service will continue to develop innovative products under the TMK brand. TMK Premium Service is the only Russian company that specializes in the manufacture and supply of oil-and-gas pipes with Premium-class threaded connections.



»» GAZPROM TAKES INTEREST IN SINARSKY INNOVATIONS

In November 2010, a delegation from Gazprom visited the Sinarsky Pipe Plant (SinTZ) to see Premium-class pipe production and the pilot production division that makes heat-insulated tubing. Such tubing is used as the upper section of a tubing string in order to prevent rocks surrounding the borehole from melting during gas extraction in the Far North; such rocks have been in a frozen state for many years. The production of heat-insulated tubing on a scale suitable for Gazprom's fields is being mastered in Russia for the first time; such tubing previously was imported.

During a meeting with the Gazprom delegation, an agreement was reached on deliveries of cold-resistant pipes with TMK-FMT threaded connections for use in Gazprom's Bovanenkovskoye field. An agreement was also reached on production and testing of heat-insulated tubing. ■



# TMK BOARD OF DIRECTORS VISITS TMK IPSCO SITES

Demonstrating the company's global presence, OAO TMK's Board of Directors meets in the United States for the first time.



The Board's trip began on October 6 with a visit to the headquarters of TMK IPSCO in Downer's Grove, Illinois, a suburb of Chicago. The Board members spent the day reviewing the company's business strategy with the management team of TMK IPSCO and learned about top projects and plans for the coming year. "It was a remarkable opportunity to have the Board members at our office and share our business plans directly with them," said Vicki Avril, President and CEO of TMK IPSCO. "All of our leaders were able to showcase the exciting plans we have to grow our business in the coming year."

**During the Board members' visit, Ambridge produced its first tubes made from billets that had been produced in Russia and imported into the U.S.**

Following their visit to Chicago, members of the Board and TMK IPSCO's management team flew to Pittsburgh for a whirlwind tour of the company's facilities in Koppel and Ambridge, Pennsylvania, and Brookfield, Ohio. The first stop on the tour was the facility

in Ambridge, where more than 300 employees work to produce seamless pipes. The Board members toured the site and learned about the processes used throughout the facility, including the creation and heat treatment of seamless pipes before it is sent on to another site for threading. Seamless pipes made in Ambridge begin their journey as solid steel billets, most of which come from the TMK IPSCO steel mill just 20 miles away in Koppel. During the Board members' visit, however, Ambridge produced its first tubes made from billets that had been produced in Russia and imported into the United States. Board members, TMK IPSCO executives, and management of the Ambridge plant celebrated this momentous event with a special ceremony commemorating the very first Russian billet pipe rolled off the line at Ambridge. The pipe was cut into four sections, each of which was signed by all Board members. One section was sent to TMK's Moscow headquarters, one to TMK IPSCO's Chicago headquarters, one to the Volzhsky Pipe Plant and the fourth remained at the Ambridge facility.



"This is a significant milestone for everyone involved," said Piotr Galitzine, Chairman of TMK IPSCO. "This event was very symbolic of the globalization of our company, and our commitment to working together across borders, across languages, across cultures and even across oceans to create our outstanding products."

From Ambridge, the Board members traveled to the nearby Koppel plant, where they toured the site and experienced the inner workings of the production process, which involves everything from melting scrap metal into steel, to the pouring and casting of steel billets. The group walked along the intricate catwalks of the plant, observed employees hard at work, and felt the heat of the molten steel. "It was a great experience to have the Board members here at the plant," said Tom Kellner, HR Director for the Koppel, Ambridge and Brookfield plants. "The employees here are very proud of the work they do and were happy to have their work showcased for the Board members."



Coinciding with the Board's visit was the 20th anniversary of the Koppel and Ambridge plants' incorporation. (See sidebar story for details.) To commemorate the event, the Board members presented signed letters to Ray Miller and Luciano Giordani, two employees who have been with the organization since its inception as Koppel Steel. In turn, employees of Koppel presented the board members with a commemorative work of art designed by a staff committee. The work depicts the process by which molten steel is transformed into pipe.

From Koppel, the group headed to Brookfield, Ohio to visit TMK IPSCO's newest ULTRA facility, which has been operating since May. Again, the Board members toured the facility and watched as premium threads and connections came to life on the production line. The Board members also had the chance to break ground in the area of the facility that will be used for a new line. Donned in hard hats and holding orange shovels, the group, along with Avril and Galitzine, shoveled into the ground to symbolically lay the foundation of the second line.

"It was an exciting moment for us," said Ernie Sexton, plant manager at Brookfield. "It's a testament to our business that we are growing and expanding our facility. It was an honor to have the Board of Directors here to celebrate this occasion." The following day, the Board held its annual meeting at the historic Duquesne Club in Pittsburgh, where members discussed their plans for leading TMK in the coming year. On October 8, the team flew home to Moscow. "Overall, the trip was a great success," said Galitzine. "This was a chance for us to demonstrate our capabilities to the Board members, and to show them a little bit about American culture," he said. "I believe the team met and exceeded every expectation. We are fortunate for having had the experience and look forward to continuing our partnership."



## » KOPPEL AND AMBRIDGE STEEL PLANTS CELEBRATE 20 YEARS

### TMK IPSCO-owned Plants Continue Thriving in Western Pennsylvania

The first week of October 2010 marked an important milestone for the TMK IPSCO steel plants in Koppel and Ambridge, Pennsylvania. On October 5, 1990, Koppel Steel, Inc. was created and the steel plants at Koppel and Ambridge were reborn after a two-year closure. Over the past 20 years, employees at these two facilities have shown unmatched dedication both to the industry and to the communities of western Pennsylvania. When Koppel Steel, Inc. was formed in 1990, it was owned by NS Group, Inc. In 2006, NS Group was purchased by IPSCO, Inc, and in 2008, the

U.S. tubular plants of IPSCO were purchased by TMK, one of the world's leading producers of tubular products for the oil and natural gas industry. TMK's acquisition marked the formation of TMK IPSCO. The Pennsylvania plants produce seamless tubular products and are well positioned to benefit from the development of the Marcellus Shale. "Although many things have changed throughout their years of operation, one thing has remained the same, and that is the hard work and commitment of the employees who produce quality steel products day in and day out at both the Koppel and Ambridge plants," said Vicki Avril, President and CEO of TMK IPSCO. "After such a storied history of perseverance, it is my privilege to call the employees of Koppel

and Ambridge an important part of the TMK family." The TMK IPSCO plants in Koppel and Ambridge employ nearly 700 workers, several of whom have been employed at the sites since the beginning of operations nearly 20 years ago. These long-time employees were recognized on October 7 in a special ceremony at the Koppel plant hosted by the Chairman and members of TMK's Board of Directors who were visiting western Pennsylvania from Moscow. Long-time employee Paul Highberger began at the Koppel plant in 1975 and left only for the few years when operations were shut down between owners. "It was an awesome experience to return and turn the lights back on, to be a part of the restart of

the facility and to watch the company grow over the last 20 years," said Highberger, a senior metallurgist. "It is great now to be part of a large international company, TMK, with the resources to invest capital to grow and expand the business, and ensure that we prosper into the future." Other veterans echoed those sentiments. "It certainly doesn't seem like it has been 20 years," said Jack Shook, senior metallurgist at the Ambridge plant and an early member of the Koppel Steel team. "There have been many ups and downs, and even times when we questioned our ability to stay in business. Now, as part of TMK, we are stable and look forward to continuing our successful operations for years to come."



# JOSEF MAROUS:

## European Asset Consolidation Is Key to Successful Cooperation

The European division of the TMK Group was set up in 2009 on the base of the Group's Romanian plants. In the summer of 2010, the European division came under the direction of Joseph Marous, an experienced executive and businessman who had previously been an independent director on OAO TMK's Board of Directors. He tells YourTube about how he sees the European division's objectives and development prospects.

### Mr. Marous, what role does the European division play in the TMK Group?

The European division represents TMK's interests in the European market as a global company. It comprises the manufacturing facilities of the Romanian companies TMK-Artrom and TMK-Resita (which form an integrated industrial complex), and also the trading companies TMK Europe and TMK Italia. Once we've pooled our business efforts and capabilities, we can operate more effectively in this important market. And since we've organized efficient cooperation between our manufacturing and trading divisions, our work with clients has become more productive, which means we can promptly meet their needs. Another key advantage of consolidation is that it enables us to react quickly to changes in the market situation, and counteract external negative factors more confidently.

### How are TMK's European operations progressing?

We've already achieved remarkable results in leveling up and coordinating TMK's businesses in Europe. Their organizational structures and management bodies are now functioning like clockwork. In the first year of the European division's existence, its productivity was severely hit by the worldwide slump in demand for steel products. In other words, it got off to a bad start. However, management moved quickly to alleviate the negative consequences. Joint efforts made it

possible not only to win a huge market share despite the slump in demand, but also to gain a strong foothold in new markets. The modernization of the Romanian plants was a good move on TMK's part. These plants now meet all of Europe's present-day requirements for steel and pipe production. The European division's companies therefore have strong fundamentals for resuming normal business activity upon economic revival of the world economy.

### How did TMK-Artrom and TMK-Resita manage to fulfill the European Union's requirements?

All reorganizations at TMK's Romanian plants took place under the directions of the plants' management and TMK, and also in close cooperation with EU representatives who constantly monitored the situation. Huge investments were made at the plants in the modernization of the manufacturing facilities. TMK's comprehensive program to build an integrated manufacturing complex comprising steelmaker TMK-Resita and pipe-maker TMK-Artrom was endorsed by the EU. The plants received modern, highly productive equipment and new technologies of a global standard to streamline their manufacturing processes. By 2009, the main part of the TMK program had been successfully implemented, and the EU praised the work done. Conformance to EU requirements was therefore achieved. Currently, TMK-

Resita and TMK-Artrom are operating according to European standards of steel and pipe production, which enables them to stand up to the competition in the European market.

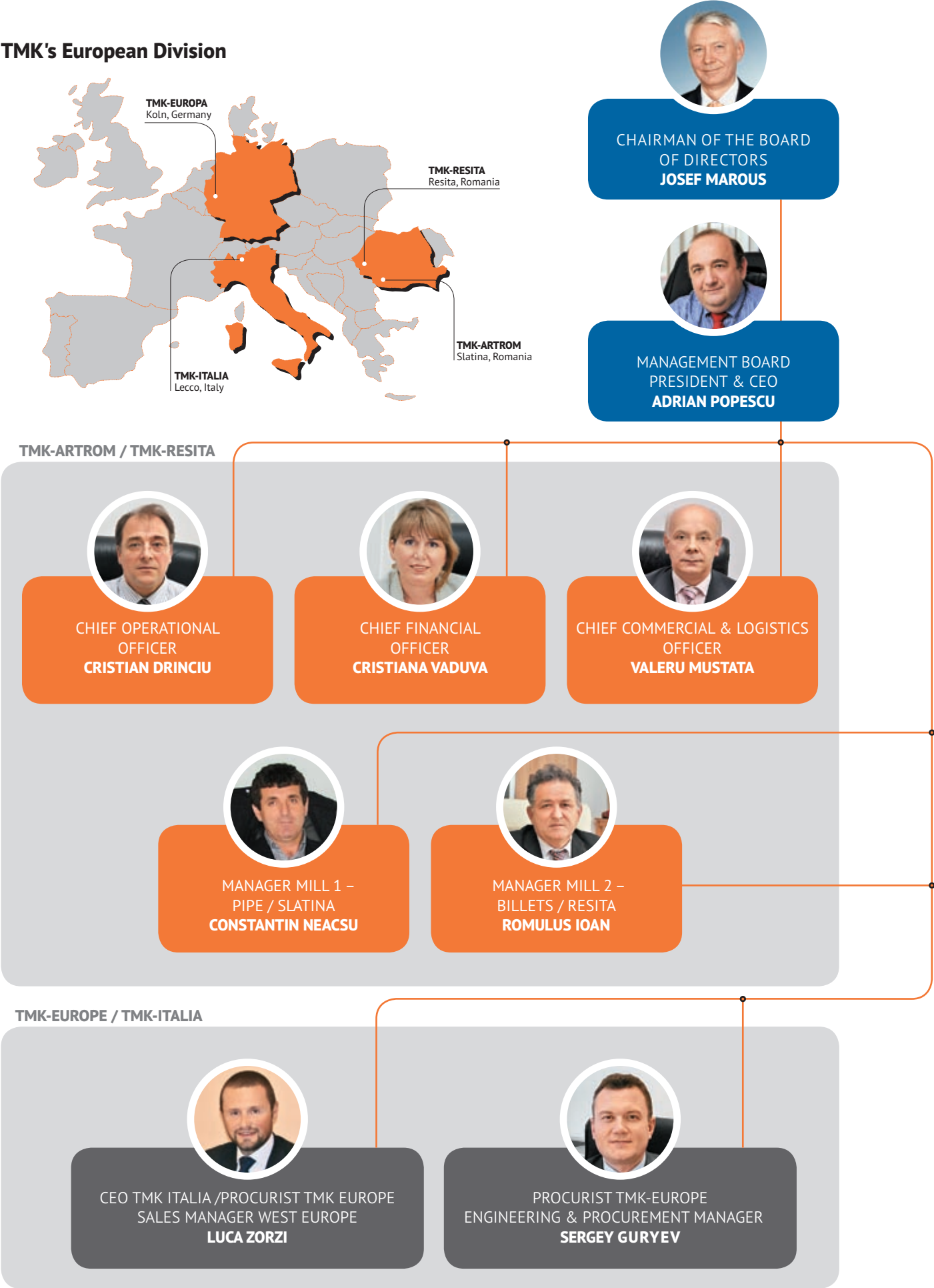
### How would you describe the position of the European division's plants in Romania and elsewhere in Europe?

Having completed its modernization program, TMK-Artrom is one of Europe's leading producers of mostly industrial seamless pipes, and TMK-Resita reached an annual capacity of 450,000 tonnes of billets. The main market for TMK's Romanian plants is the European market, to which 62 percent of the plants' TMK-branded output goes. TMK-Artrom commands a 42 percent share in the domestic market, and it accounts for 60 percent of Romania's total pipe exports.

### How did the European division cope in 2010? What are the objectives of its companies as set forth in their development programs?

The year 2010 saw signs of a general economic recovery – a fact that contributed to higher productivity of our Romanian plants. But foreseeing difficulties ahead, we have continued to improve the management of our cash flows and tightening controls on spending. The 2011 plans of the Romanian plants call for numerous activities that will enable them to slash their debts and accumulate reserves for further investment. TMK may eventually broaden its presence in the European market and cooperate proactively with other pipe makers by supplying them with billets from TMK-Resita. Evidently, TMK operations in Europe have the prerequisites for growth and further advancement. ■

### TMK's European Division



#### EXECUTIVE PROFILE

Josef Marous graduated from Goethe University in Frankfurt am Maine in 1976.

His professional experience: Head of the Russia office of Thyssen Krupp AG, member of the Board of Directors of OOO ThyssenKruppElevator and Chairman of the Committee of Car Components Producers at the Association of European Businesses in the Russian Federation.



# TMK PREMIUM Forging the Path of Innovation

TMK Premium has emerged as one of the most important segments of the Group's business. Paul Fullerton, Vice President of TMK Premium, tells us how this segment has evolved to where it is today, and what he hopes for the future.



## What are your responsibilities as the head of TMK Premium?

My job is to oversee the development, coordination and integration of a global technical sales force along with a worldwide network of TMK production locations, third-party threaders and licensees in order to facilitate the rapid expansion of ULTRA™ Premium Connections, TMK premium connections and related services.

## What kind of potential do you see for the TMK Premium business?

The potential for TMK's growth in the premium product market is staggering, as there is considerable demand for premium products from both on- and offshore drilling customers worldwide. Premium products provide a unique opportunity for the company to lead the industry in sales, service, support and innovation. The success of the business is attributed to innovation in every aspect – from the newly-formed global team structure to the new products currently being developed and even to the company's unique history.

## How is the TMK Premium team structured?

While ULTRA Premium Connections are produced at plants in the United States (Odessa, Texas; Houston, Texas; Catoosa, Oklahoma; and the newly-opened Brookfield, Ohio, plant), the development of the TMK

Premium business is the result of international teamwork on an even larger scale both in the U.S. and Russia.

## What role do your colleagues at OAO TMK in Russia play in this structure?

Several individuals in Russia work closely with the product development team in North America. The organizational changes we made in July 2010 assure that everyone on both sides of the globe is working in one direction. The international team members in the TMK Premium products group are responsible for global technical sales, development of new product offerings, development of a network of third-party licensees and building new production facilities. Again, we work very hard to ensure that everyone is moving in one direction.

## How large is the TMK Premium team?

At present, we are a small but focused team of fewer than 30 employees. Combined with our colleagues in Russia, we will have an international presence of more than 50 employees that will grow over time as we begin to penetrate international markets. In addition, at our four ULTRA Premium plants in the United States, TMK IPSCO employs more than 400 people, with plans to expand even more. We intend to create a global presence in the marketplace, one that matches the global scale of our team. Working together, we will see greater achievements than we otherwise would with a less cohesive business structure.

## Can you give us a brief history of how TMK Premium came to be?

ULTRA Premium Connections have been produced in Odessa, Texas





“**TMK Premium holds approximately 30 percent of the U.S. market for premium connections. In terms of volume, we are producing more than four times what we were in 2007**”

since 2004, but the facility's history of innovation and entrepreneurship dates back to the mid-1960s. The story actually began with a former ice-skating rink and a fishing tool manufacturer. Today, the business continues to grow with the boom in the west Texas oil and gas industry, one of the biggest of the 21st century.

**It all started with an ice-skating rink?**

Yes, the business that is now the ULTRA Premium Connections segment of TMK IPSCO was started in a humble machine shop in Odessa by a gentleman named Curley Gillam. Curley's Machine Shop, which began in an ice-skating rink, originally produced fishing tools and accessories for customers in the nearby oil and gas-rich Permian Basin, which is nearly 250 miles wide and 300 miles long. Just to give you an idea of how massive this basin is, by 1993, total production in the basin had reached nearly 15 billion barrels of oil. That's about five and a half times the total amount of oil

we produce each year in the United States today. Curley's Machine Shop became well-known within the oil and gas community as a company that manufactured high-quality products. Customers knew they could rely on Curley's to deliver on time and provide excellent customer service. Regardless of the industry you work in, that business model will always be successful. In 2004, Curley's Machine Shop acquired the intellectual property to the threadform patents now known as the ULTRA threads. Investing in machines and manpower, Curley's grew its reputation and market share within the Permian Basin and began to spread its customer base into the Oklahoma and New Mexico markets.

**It sounds like Curley's was a ripe opportunity for acquisition.**

The large tubular mills certainly saw it that way, and it wasn't long before a bidding war for Curley's ensued. In July 2006, Curley's was sold to Kentucky-based pipe and tube

maker, NS Group, Inc.. Shortly thereafter, the Canadian steel company IPSCO purchased NS Group and, through a series of transactions, IPSCO's U. S. tubular assets were later sold to Russia's OAO TMK. What started fifty years ago as a small family-run business in the oil fields of Texas has now become part of a major global company.

**Who developed the intellectual property that later became known as the ULTRA threads?**

Two individuals played lead roles in developing the thread form, the late Eric Klementich of Oil Technology Services and Edward Banker of Marubeni Itochu. Today, Ed Banker is the Director of Premium Connection Product Development for TMK IPSCO. In the past two years, TMK's line of ULTRA Premium Connections has doubled in number, all using the patented products that Ed helped to develop.

**There is a lot of talk about the importance of shale gas development, particularly in the United States. Is this where TMK Premium is seeing most of its growth?**

A lot of it, yes. ULTRA Premium Connections are designed specifically for the new deep shale drilling methods used in the Marcellus shale in the eastern United States. Now ULTRA Premium Connections are produced not just in Odessa, but also in Houston, Texas; Catoosa, Oklahoma; and Brookfield, Ohio, which, by the way, is adjacent to the Marcellus shale.

**How important is Marcellus?**

It's extremely important. As North America's newly tapped source for oil and natural gas, the Marcellus is expected to hold up to a 100-year supply of natural gas for the continent. That makes it critical for our business. But the other shales,

particularly Barnett, Woodford, Haynesville and Fayetteville, will also play a big role for us as we continue to develop this business.

**Back to the technology, what exactly are premium connections?**

Premium connections were originally designed for vertical wells and evolved from the API buttress thread form and the need for that thread form to be gas-tight. Most first-generation premium connections took the buttress thread, tightened the tolerances and added metal to metal seals to ensure gas tightness. For many years, this design worked well – that is, until the advent of horizontal and directional drilling. This new form of drilling, particularly in the U.S. shale plays, added a whole new dimension for the requirement of premium connections. Strength in compression, torsional strength, fatigue life and resistance to shock loading became important.

**What differentiates TMK Premium's connections from the competition?**

All premium connections are designed around the shape of the thread form and the way the metal-to-metal seals interact. Simply put, the success of the TMK Premium ULTRA thread form is based on the unique shape of the thread and the fact that it is as strong in compression as it is in tension. This balanced strength is very unique, allowing the operators to push and pull on the casing string as they work it through the bends of the horizontal wells. The high torque properties, particularly of the ULTRA SF connection, allow the operator to rotate the string to reduce friction. We offer some of the strongest connections in the world, providing our customers with the security

“**The story actually began with a former ice-skating rink and fishing tool manufacturer. Today, the business continues to grow with the boom in the west Texas oil and gas industry**”

they need in a product. Drilling is a complex and expensive process, and engineers obviously don't want their wells to collapse, so they are very focused on finding products with superior strength, like ours. That's not to say there isn't fierce competition in this area, but we do feel we have an advantage, which is backed up by our loyal customer base.

**What is TMK Premium's current manufacturing capacity?**

This year, more than 300,000 joints containing ULTRA Premium Connections have been produced across four TMK IPSCO facilities in North America. That's more than 13 million feet of product already in 2010! With the addition of the new facility in Brookfield, Ohio, in May, which is projected to employ approximately 120 workers when it reaches full production capacity, TMK IPSCO will have the capacity to produce more than 500,000 joints annually at its four U.S. premium connection facilities.

**How is the TMK Premium business doing?**

TMK Premium holds approximately 30 percent of the U.S. market for



premium connections. In terms of volume, we are producing more than four times what we were in 2007. Overall, our business is strong and we hope it will continue to grow in sales, production and market share.

**What is the future of the business?**

The team recently launched the newest product in our line-up of connections, the ULTRA-DQX™ Semi-Premium Connection. This product uses the same ULTRA thread form as the ULTRA Premium connections, but not the metal-metal seals. This connection was designed specifically for the rapidly growing drilling with casing market. In addition, we are always looking to develop new products and technology for different markets, such as the Canadian oil sands. TMK IPSCO's newly opened sales office in Calgary acts as an important liaison there as we develop new products for that market.

**How important is innovation for TMK Premium?**

Innovation will continue to be the cornerstone for success in the premium products business for TMK. With the dedication of a global team, a unique history of creativity and a focus on modern design and technology, TMK Premium is poised to be the future of TMK, to bring the company to an even greater position of dominance in the industry.

**What are your long-term goals for the TMK Premium team?**

The ultimate goal for this multi-continental team is to position TMK Premium as *THE* producer of premium connections within the next five years. I believe that with the quality of both our products and our highly-talented team, we can achieve that goal. ■



# SERGEY BILAN:

## The Words “Russian” and “High-tech” Should Become Synonymous

The most advanced types of value-added products whose usability is clearly superior to that of ordinary products are known globally as premium products. These are the kinds of products that TMK produces. Sergey Bilan, TMK’s Vice President for Marketing and Business Development, talks about his company’s premium pipes and about its niche in the pipe market’s premium-class segment. He also discusses the outlook for premium pipes.

### What premium products does TMK turn out? Why are they so important for the company?

We make large-diameter pipes with outer protective coating and inner smooth coating, corrosion-resistant pipes for the oil industry, drill pipes, casing and tubing with a variety of new types of connections, as well as certain items designed specifically for machinery construction.

First, the manufacture of premium products will distinguish TMK from the mass of pipe makers on the market, confirm our high level of technological development, and prove our commitment to meeting customers’ needs. Second, premium products will boost profits.

In many segments of today’s global pipe market that fall outside the premium segment, Chinese pipes command a considerable market share. Chinese pipe makers have specific aims. TMK’s objective as a commercial enterprise is to make a profit and at the same time fulfill its obligations to society. On the other hand, paramount importance for Chinese companies is job creation for Chinese workers. To this end Chinese companies receive substantial state support. This approach does not always have the best effect on the market. Since this is the case, there are two options for us: either work in fierce competition with Chinese producers of ordinary pipes or make state-of-the-art products that the Chinese cannot make themselves. We have opted to manufacture high-tech products with a view to developing both our manufacturing facilities and Russia’s pipe industry as a whole.

### What can you say about Russia’s premium pipe business?

Currently, the tubular products of Russian companies are unique by many parameters. For example, only Russia, Belarus and China have continuous rolling mills for making PQF (Premium Quality Finishing) pipes. Such mills allow the manufacture of pipes with closer tolerances than those stipulated by API standards, which leads to a reduction in the amount of metal needed

to make pipes used by oil companies. More accurate geometrical parameters of the end product allow a reduction in pipe wall thickness and increase the pipe’s capacity to bear external as well as internal pressures. TAGMET, which has such a mill, produces up to 3,000 tonnes of premium casing every month, as well as drill pipes with high-torque tool joints.

Because we use high-tech equipment, we are able to produce pipes with superior usability. These are expensive pipes, which bring extra profit. The Premium Quality Finishing (PQF) seamless rolling mill is not the sole factor in obtaining high-quality pipes, however. As always in steel making, everything starts with the furnace. At our plants, we built the most advanced steel-smelting complexes in Russia and the CIS. As a result, we obtain high-purity metal, which is the base for manufacturing high-quality products. Our plant’s cutting and heat-treatment lines allow us to obtain pipes from low-alloy steel that are highly rated for mechanical strength and corrosion resistance. These pipes enjoy strong market demand, and TMK is working hard to meet customers’ needs for them. Thus, Russian companies today have far greater technological capabilities to manufacture high-tech products, and they are well aware that they must continue to make great strides in order not to lose their market niche.

### How is cooperation evolving between TMK’s premium products businesses in Russia and America?

Initially, manufacture of premium products at TMK’s Russian plants and at the American plants that today form TMK’s U.S. division developed independently. When the American plants became part of the TMK Group, it became possible for TMK’s Russian and American divisions to work together on product development and take the best innovations each side had to offer. This exchange process is still taking place. In 2010, for the first time ever, TMK drew up a common research and technological development plan for 2011.

The plan balances the interests of TMK’s Russian and American enterprises in the markets where they are active; issues of redundancy have been resolved, and the most productive development trends have been adopted.

Our objectives include further advancement of our enterprises that develop and manufacture premium products both in Russia and the United States. These enterprises will get sophisticated testing and manufacturing equipment, which over time could represent the best international standards. Premium product development and manufacture will improve the reputation of the TMK Group, as well as increase confidence in the company and its market activity.

### Are Russian companies buying lots of premium products?

TMK’s present customers include Gazprom, Rosneft, LUKOIL, NOVATEK, TNK-BP and Surgutneftegaz. There has also been increasing demand for TMK’s Premium-class products from Russia’s oil and gas producers. We already have yearly contracts with them, and we believe this market will tend to grow, primarily because extraction conditions are becoming more and more difficult as oil and gas fields get deeper and numerous factors work to hamper extraction. As the conditions of extraction deteriorate, demand for premium products rises. We must take these trends into account and build up our manufacturing capacities first to supply the needs of customers in Russia and then the needs of overseas customers. We are already offering the Russian market products made at our American plants. Likewise, the products of TMK’s Russian plants are being offered in the American market. The resulting synergy enables us to make better business proposals to our Russian customers.

### Is it possible to force inferior “premium” products and imitations out of the market?

Attempts are constantly made by various players in both the Russian and the international market to violate TMK’s rights regarding its high-tech products. This problem can only be solved by laborious legal work to protect our rights. We are hard at work in this regard. It is a relatively new field of activity for TMK since the company never had patents of a level that would yield high licensing revenue, so this is something we really need to be doing.

### How is the premium products market likely to develop in the future?

Further development of the premium line of our business is one of the company’s key goals. Work toward



“As the conditions of extraction deteriorate, demand for premium products rises. We must take these trends into account and build up our manufacturing capacities first to supply the needs of customers in Russia and then the needs of overseas customers”

this goal will lead to the expansion of the company’s product range to the high-tech sector, thereby creating a base for achieving comprehensive solutions and making the turnkey deliveries, in which our customers are increasingly interested. TMK has historically established itself as a supplier of a broad range of products, and this has given it a competitive advantage. Our aim now is to continue to develop as a general supplier of premium-class products. Many regional markets are today raising trade barriers to limit the entry of external producers. It often happens that access to these markets can be gained only by offering state-of-the-art solutions, such as premium products. Russian companies are well aware that attitudes toward them are not always good in many parts of the world, but such attitudes are a legacy of the past. Our company is ridding itself of this attitude by offering products that are high-quality, dependable, and technologically advanced. ■



# ALLIANCE WITH TECHNOLOGY MECCA

TMK has joined the Industrial Liaison Program at the Massachusetts Institute of Technology (MIT), one of the world's leading scientific research centers.



TMK, a key global producer of steel pipes for the oil and gas industry, has partnered with MIT to become a member company in the school's Industrial Liaison Program (ILP), which today unites around 200 companies with global names. Established in 1948, the ILP today aims to develop mutually beneficial cooperation between MIT and the world's top innovative companies. TMK IPSCO, which is TMK's American division, has signed a cooperation agreement with MIT, which means that TMK is now able to access MIT's scientific resources, receive benefits from the ILP's extensive human and intellectual capital, and swim with the tide of the latest trends in science and technology.

Piotr Galitzine, Chairman of TMK IPSCO, said, "MIT is one of the world's outstanding research universities, and TMK is one of the world's leading oil and gas pipe producers. By joining the ILP, TMK will partner with internationally recognized experts in business and technology and avail itself of unique research and development opportunities. This is an exciting demonstration of TMK's leadership and innovation in our industry." TMK pays major attention to the development of novel pipe-making technologies and to its relations with the industry's research establishments. Participation in MIT's Industrial Liaison Program marks another milestone in the



development of TMK's scientific ties. Alexander Klachkov, Chief Engineer and Deputy General Director of TMK, said, "We are cooperating proactively with industry institutes in Russia and other CIS countries; we order the necessary research studies and apply the resulting solutions to our production processes. Of course we knew about MIT before, but at the time we had no access to that treasure house of knowledge. "As TMK's operations and geographical coverage grow, so does the circle of research organizations with which our company cooperates. With the increase of our requirements, we become even more keen on such cooperation since it promotes the advancement of our high-tech operations. "MIT is a mighty scientific research center with experts worldwide in all branches of knowledge. Using MIT's research studies as a guide, we can initiate innovative development in areas and on subjects of interest to us. In addition, we can utilize MIT's unique innovations by purchasing licenses to use them." In late November 2010, Professor Kenneth Goldman, Corporate Relations Manager at MIT's Industrial Liaison Program, paid a visit to Moscow. The purpose of his visit was to meet TMK's management team to discuss cooperation plans. "Mr. Goldman has taken it upon himself to show us around MIT," Alexander Klachkov said. "This Institute represents a highly complicated system with numerous areas of scientific and technological endeavor. Our colleague will help us sort them

out and recommend an ideal arrangement for working together." The Russian and American partners agreed to hold MIT seminars for TMK specialists in Russia, the United States and Romania. The seminars will indicate opportunities to utilize fresh knowledge and engage in innovative development. Members of the TMK IPSCO management team will be attending conferences hosted by MIT in the coming months to begin developing plans for partnership opportunities in engineering and metallurgy that will aid in the research and development of new TMK products. As Russia's first participant in the ILP, TMK has already begun to promote this program among Russian businessmen interested in innovative development. During his Moscow visit, Kenneth Goldman attended a roundtable meeting with Russian business leaders and with members of the Russian Union of Industrialists and Entrepreneurs (RSPP). The meeting was sponsored by RSPP's Committee for Technical Regulation, Standardization and Compliance Assessment, which is headed by Dmitry Pumpyansky, Chairman of TMK's Board of Directors. The meeting addressed matters concerning cooperation between Russian companies and MIT in the implementation of innovative projects. Mr. Goldman told the Russian businessmen about areas of activity and research work at MIT. He then joined in the discussion about the problems of developing and promoting innovative products in Russia. Complementing Kenneth Goldman's presentation about MIT, Piotr Galitzine, Chairman of TMK IPSCO, shed light on the practical aspects of cooperation between TMK's American division and MIT. He said: "Our hope is that this partnership with MIT will enable us to be even more inventive in the products we develop for our customers. Oil and gas drilling is a process that is continually evolving, and it's our ambition to remain at the forefront in this highly competitive, highly advanced industry."

## “IT WAS AN UNFORGETTABLE EXPERIENCE”



**KENNETH A. GOLDMAN**  
PhD, Corporate Relations Manager, Industrial Liaison Program at the Massachusetts Institute of Technology:

I came to Moscow to initiate the relationship with TMK, the newest member of the MIT Industrial Liaison Program for which I am responsible. We had a discussion with the TMK's managers about the basic technologies and areas of interest, which I will then match to the

various labs, centers and programs at MIT. It is our hope that these discussions could lead to research collaboration and exchange of information that will be the basis of the development of a mutually beneficial relationship. In addition, TMK was kind enough to introduce me to the Russian Union of Industrialists and Entrepreneurs (RSPP). My objective was to invite other companies in Russia to consider joining the MIT Industrial Liaison Program. Also I met with people from LUKOIL. I hope to have further meetings with Rosneft, Gazprom, and other companies with whom TMK has business partnerships. I had first been in Moscow as a student, more than 40 years

ago, and it was a particularly moving experience to stroll through Red Square, to visit the Tretyakov Gallery, and even attend a performance of the Pyatnitsky Chorus. I was trained as a Slavist, with specialization in folklore/oral literature in Russian and Serbo-Croatian, and for this reason, revisiting Moscow, and these cultural monuments were especially meaningful to me. I must remark on the warm and sincere reception I had from everyone I came into contact with: certainly most of them didn't expect an American who could speak fluent Russian, nor one who knew anything about their country's history and culture. For me it was an unforgettable experience, and I hope to repeat it.

## MIND AND HAND

The Massachusetts Institute of Technology was founded in 1861. MIT's motto is *Mens et Manus*, which translates from the Latin to "Mind and Hand." This motto reflects the educational ideals of MIT's founders who were promoting, above all, education for practical application. MIT is a world leader in robotics and artificial intellect. Chemistry, computer science, economics, engineering, mathematics and physics are programs with especially high regard at MIT. MIT is also known for its achievements in economics, linguistics, political science and philosophy. If the criterion of success in scientific research were taken

to be the number of Nobel Laureates who had received training at MIT, then this Institute would be unrivaled anywhere in the world. It boasts an absolute record of 74 lecturers and graduates who at different times have won the Nobel Prize. MIT's rankings are also high. The Times, for example, has designated MIT as the top leader in technology and engineering among 200 of the world's best universities. And the National Research Council has ranked MIT first in reputation among U.S. universities. Throughout its history, MIT has conferred honorary professorships on only two people – Winston Churchill in 1949 and Salman Rushdie

in 1993. The only way to get a MIT diploma is to earn it, and the process of earning it is itself regarded as a great honor. People who at different times were awarded an MIT diploma include many well-known personalities of our time: the economist Paul Samuelson, nanotechnologist Eric Drexler, current Federal Reserve Chairman Ben Bernanke, former Secretary of State George Shultz, Israeli Prime Minister Benjamin Netanyahu, former British Secretary of State David Miliband, former UN Secretary-General Kofi Annan, and also prominent businessmen (including TMK IPSCO Chairman Piotr Galitzine), political leaders, scholars and even astronauts.



# QUALITY CERTIFICATIONS FOR U.S. ULTRA FACILITIES

In August 2010, ULTRA® Premium Connections' operations in Houston, Texas and Brookfield, Ohio (USA) became the first two TMK IPSCO facilities to receive Certificates of Registration of their Quality Management Systems participating in the APIQR® program. "These certifications deliver a message to our customers that our TMK IPSCO operations have been assessed by the most experienced auditors in our industry, and that those auditors have agreed that we are in alignment with the best practices of the oil and gas industry," says Vladimir Sazonov, Director of Corporate Quality.



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The fact that the Brookfield facility, in particular, received certification within such a short time – and without having any problems with the API – shows that we were well prepared had to meet the relevant requirements, and that the staff is dedicated to Quality and Customer Satisfaction

Vladimir Sazonov, Director of Corporate Quality, TMK IPSCO

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The certifications affirm compliance with the requirements of the following three international standards:

**ISO 9001:2008** – an International Standard that establishes the requirements for Quality Management Systems and covers all key business processes, including process monitoring, record keeping, maintaining quality output and corrective actions, quality system review and facilitating continual improvement.

**API Specification Q1** – a standard from the American Petroleum Institute (API) that specifies supplemental requirements for the Quality Management Systems of suppliers of goods and services to the oil and gas industry; the supplied goods and services have to meet the

relevant statutory and regulative requirements.

**ISO TS 29001:2007** – an international standard that sets forth the requirements for the Quality Management Systems of suppliers of goods and services to the petroleum, petrochemical and natural gas industries.

To earn these certifications, an appropriate Quality Management System (QMS) has to be established, and it must remain operational for at least four months prior to applying for certification. In addition, the API has to approve the applicant's Quality Manual and his application for certification. The final step is the actual audit, during which API-certified auditors will assess the applicant's organizational performance. It normally takes a

year or so to complete such an audit. The Houston facility, however, was able to have its audit completed within eight months, and Brookfield, within six months.

"The staff at both facilities achieved a great feat, having got all the requirements reviewed and having integrated them into their existing QMSs," said Vladimir Sazonov, Director of Corporate Quality. "There were no issues with either facility, so the certification process was quick and smooth. The fact that the Brookfield facility, in particular, received certification within such a short time – and without having had any problems with the API – shows that we were well prepared to meet the relevant requirements, and that the staff is dedicated to quality and customer satisfaction. Brookfield's plant management team was able to build a strong teamwork environment where everyone is working toward the goal of bringing up our company to the next level of organizational excellence." (The Brookfield facility began operating in May 2010.) Certain aspects of the facility's certification can also translate directly into greater business opportunities. "The fact that Brookfield received an API 5CT license as part of the certification process should result in more opportunities for additional orders in the Marcellus Shale, one of the most promising sources of natural gas in the United States," Sazonov said. TMK IPSCO is now creating a new Corporate Quality Management System that will apply to all its U.S. facilities. By the end of 2011, TMK IPSCO expects to have completely transferred its QMS registration to the American Petroleum Institute's quality registration program. ■





# ASHORE OF SAMOTLOR

Text: **Natalya Dolgusheva**

The Samotlor oilfield, located in the heart of West Siberia, takes its name from Lake Samotlor, which in the Khanty language means “dead lake.” In this area, a huge oil-bearing structure was discovered by geologists back in the 1960s. Petroleum extracted from there to this day continues to feed the Russian economy. TNK-BP, a strategic partner of TMK, extracts around 30 million tonnes of oil from the Samotlor field every year. The heads of TMK’s and TNK-BP’s engineering services met at Samotlor in late September 2010 to discuss issues of cooperation between the two companies.

**TNK-BP** has been the operator of the Samotlor oilfield since 2003, and TMK-made pipes have been in use here for many years. The oil workers are working in the severe climatic conditions of the northern territories naturally they demand sure-fire equipment. Samotlor is one of the first oilfields to utilize TMK pipes that are extra-high performing with regard to corrosion resistance. Working together gives rise to quite a few issues that have to be resolved jointly. These matters were discussed at the Nizhnevartovsk conference by TMK representatives and engineers from several structural divisions at TNK-BP: OAO Varyeganneftegaz, OAO Samotlorneftegaz, OOO TNK-Uvat, OAO Orenburgneft, as well as by other companies directly engaged in drilling and exploiting oil wells and in oil transport. Many issues face the oil companies and pipe manufacturers, and they were eager to resolve these matters as soon as possible. Among them were the uniformity of specifications and the need for prompt visits by the manufacturer’s representatives to sites where breakdowns occur. Oil workers have to be taught the rules and principles of field service maintenance, which largely determines the pipe’s lifespan. Heavy flooding in certain parts of the oilfield has raised the issue of improving pipe insulation. The participants in the meeting agreed that they would cooperate with RosNITI (the Russian Research Institute of the Tube and Pipe



Industries) to resolve matters concerning anticorrosive protection; the rating of steel grades with respect to operating conditions, and the conduct of the respective tests. The meeting ended with a decision to draw up a program of further interaction between the oil companies’ engineering services and those of the pipe makers, with a view to fulfilling the tasks set. TNK-BP is one of Russia’s leading vertically integrated oil majors. It

ranks among the world’s top 10 privately-owned oil producers by volume of oil output. It was formed in 2003 through the merger of BP’s oil and gas assets in Russia and the oil and gas assets of Alfa, Access/Renova (AAR). TNK-BP’s portfolio includes extracting, refining and marketing enterprises in Russia and Ukraine. Oil is produced in the Khanty-Mansiysk and Yamalo-Nenets Autonomous Districts and in the Tyumen, Irkutsk and Orenburg

Regions. The main oil refineries are located in Ryazan, Saratov and Nizhnevartovsk in Russia, as well as in Lisichansk in Ukraine. In 2005, TMK and TNK-BP signed an agreement on strategic cooperation that led to practical collaboration. The agreement has since been extended twice. Another new element in the relationship between the two big companies is so-called proactive quality control, whereby TNK-BP experts check the quality of pipes and equipment directly in TMK’s manufacturing facilities and perform technical audits at TMK plants. Such measures have become routine. They have led to improvements in business processes and in the

technologies for achieving and maintaining the high quality of TMK-made pipes. In 2007, TMK acquired service divisions from TNK-BP in order to integrate supplies of oil and gas instruments, materials and equipment, as well as to organize logistics right on oil production sites. At Samotlor, such a service division was the Pipe Repair Department (UpoRT), which was integrated into TMK’s oil service division together with the Central Pipe Depot (based in the city of Buzuluk) and the Truboplast plant. These industrial facilities provide a range of services to repair pipes, cut threaded connections, and make insulating covering, shaped ware and drilling

couplings, as well as some elements of tube strings and drill pipes. In 2009, TAGMET developed an interesting item specially for TNK-BP. It is a drill pipe with interior anti-friction coating and a lock with hard-alloy facing. Cooperation between TMK and TNK-BP continues to grow as the two companies engage in new areas of collaboration involving nonstandard orders for equipment and new types of product. TMK sees this work as having a specific objective – the fullest possible satisfaction of customers’ needs, guaranteeing them technical support in their utilization of oilfield equipment and increasing the reliability of the pipes produced. ■

## COMMENTS



### Valery Chikalov

Director for Quality Management,  
OOO TNK-BP Management:

“We see excellent prospects for cooperation with TMK because we always consult each other when working on joint projects. We are working together as partners in three main areas. First, technical support: we participate jointly in the work of the Russian Committee for Technical Regulation, in particular in its subcommittee called *Steel Pipes, Cast Iron Pipes and Cylinders*. “We consider it a common task to conform Russia’s existing standards to the requirements of international standards, in particular to the standards of the American Petroleum Institute (API). The second area in which we are working together is enhancement of product quality. With this aim in view, TMK plants are implementing a phased program of modernization, upgrading their manufacturing processes and

tightening quality control of each operation in the production and shipment of products. For our customers, the development of partnership in this area means an opportunity to buy highest quality pipes at the best prices. Third, post-sales service: that is, logistics support afforded during utilization of the pipes, as provided for by the contracts signed. The above are the objectives that we have been pursuing with success in the course of our joint work.”



### Alexei Yemelyanov

Deputy General Director of Trade House  
TMK for after-sales technical support and  
interaction with customers on product  
quality:

“It is absolutely clear to us that long-term contracts are the cornerstone of business cooperation with TNK-BP. Once we have these contracts, we can carry out the necessary measures to develop

the relevant technologies, create pipes that have the properties needed for the specific oilfield concerned and ensure shipments under an arrangement that best suits the customer. “TMK is developing new types of pipes and setting up maintenance services right in the oilfields in order to supply its customers with high-performance pipes. For this purpose, it is launching new manufacturing facilities and upgrading the equipment and technologies of the current plants. “Close cooperation between the TMK Group’s plants and between the Group’s premium pipe and oil-service divisions gives us a competitive advantage. When fulfilling complicated orders from customers, we work out a manufacturing scheme and a blanket quality standard applicable to all plants participating in the production of the items on order. We are thus able to turn out the necessary products in compliance with the increasingly demanding requirements made by the oil companies. Single-handedly, no pipe plant can carry out such large-scale projects. Now that the U.S.-based manufacturing facilities of TMK IPSCO are part of the TMK Group, our product range and manufacturing capabilities have multiplied many times over.”



# THE IRON ISLAND

Text: Ivan Zabolotsky, TAGMET

It takes nearly two hours to fly on an Mi-8 helicopter from the city of Astrakhan (in southern European Russia, on the Volga River) to LUKOIL's oil rig in the middle of the northern Caspian Sea. The view from the helicopter is the Volga delta drifting by, followed by the Caspian Sea's coastal waters, which is dotted by islets. Next comes a wonderful panorama of the Caspian Sea's glassy surface.

The oil rig, located on the high sea some 180 km away from Astrakhan, consists of a sleet-proof stationary marine platform – the iron island where LUKOIL is exploiting the Yury Korchagin subsea oil deposit. Here, for the first time in the history of the Russian pipe industry, Russian-made pipes were utilized in the construction of an offshore oil-production facility. Participating in that construction project were specialists from TMK Premium Service.



## THE CASPIAN SEA RESERVES

The huge oil and gas reserves of the Caspian Sea basin were known back in Soviet times, but the country's poor technology in those days prevented their exploitation, as it would have polluted the Caspian Sea's unique ecosphere. Russia's oil and gas production technology has since become more sophisticated, which calls for a reconsideration as to whether we should be developing the Caspian's reserves. LUKOIL spent 10 years exploring for oil and conducting test drilling in the Caspian Sea's Russian sector. In 2000, the company discovered the Yury Korchagin oil and gas condensate deposit. Because this part of the inland sea is only 11 to 13 meters deep, the oil rig was built on a floating drilling platform. Later on, it became a stationary platform when supporting structures were built on the sea floor to support it. The offshore rig began to extract oil from below the sea floor in April 2010. LUKOIL plans to produce a total of 28.8 million tonnes of oil from the Yury Korchagin deposit. Prior to August 2010, only foreign-made pipes were used in oil production in the Caspian Sea's Russian sector. Imported pipes were also used by the LUKOIL-Nizhnevolzhskneft Company, which is developing the Yury Korchagin oil deposit. In summer 2010, the company's Marine Sleet-proof Stationary Oil Platform project reached the stage where a gas injection well was drilled to pump up petroleum gas from under the oil-bearing bed. The construction of such wells requires high-tech pipes with gas-tight threaded connections. Such pipes are produced under

**Standing on the helipad, you don't see land even on the horizon; the closest firm ground is no less than a hundred kilometers away. All you see around you is the malachite green waves of the cold Caspian Sea**



the Premium brand in Russia only by TMK. These pipes are bought by Russian gas giant Gazprom, which has been utilizing them effectively since 2005 to develop gas deposits in Yamburg (Russia). It was Gazprom's drillers who recommended TMK's Premium pipes to LUKOIL. This was how Russian-made pipes began to be utilized in the construction of subsea oil wells for the first time in the history of the country's oil industry.

The offshore rig received from TAGMET a trial consignment of 168 pipes (139.7 mm x 7.72 mm) of strength group N80Q, produced according to standard API-5CT. The pipes had TMK-GF threaded connections. Developed in 2004, the TMK-GF gas-tight connection is used on casing designed to fortify horizontal and directional gas, gas-condensate and oil wells. In order to improve the functionality and reliability of connections that are exposed to bending and stretch-out stress, they are constructed with the use of threading with a

negative-angle bearing face. To monitor the running of trial casing string in the well, TMK-Premium Service dispatched its chief design engineer, Yury Yemelyanov, and its chief development engineer, Alexei Myslevtsev, to the Caspian Sea drilling rig.

## HOTEL WITH A VIEW OF THE OFFSHORE RIG

Strictly speaking, the marine platform consists of not just one, but two islets – LSP-1 and LSP-2 [LSP is the Russian abbreviation for "sleet-proof stationary oil platform"]. LSP-1 is the drilling rig itself. LSP-2 is a smaller, artificial islet. The year-round residence of the oil workers is linked to the oil-production complex on the other islet by a bridge. The residential islet is virtually a comfortable four-story hotel towering above the sea. The helipad on its roof marks the beginning of the road for everyone who arrives on the iron island. Standing on the helipad, you don't see land even on the horizon; the closest firm ground





is no less than a hundred kilometers away. All you see around you is the malachite green waves of the old Caspian Sea.

Everyone who comes to the offshore oil platform is immediately issued a personal magnetic card. Next, everything bears resemblance to a communist system. There is virtually no money in circulation on the platform. No rubles, no euros, no dollars either in cash or electronic form. Your personal card entitles you to live in a cabin and get free meals. All available forms of recreation – gym, sauna, movies – are free of charge. The two- and four-bed cabins of the residential complex are cleaner and cozier than the rooms in most hotels on the Black Sea coast. The food in the residential complex is delicious and varied. There is no mobile phone service, but you can use the fixed-line pay phone if you buy a phone card on land.

The only difficulty is that you can't leave the residential islet when you have free time; you can't even go to the drilling

**Each and every pipe supplied by TMK had first undergone regular inspection and a thorough cleaning to remove its corrosion-proofing grease. Not a single pipe brought to the offshore rig has ever been found defective**

platform. All workers who are free of administrative duties must stay within the residential complex. But then this same rule applies in ordinary oil-drilling areas in Siberia, especially considering that environmental rules in the tundra are rather strict nowadays (places where one could go to gather mushrooms and berries or to hunt are now off limits). Life-saving training is compulsory for everyone on the offshore platform. Every three days there are evacuation exercises in which everyone present on the offshore platform must participate. The platform has seven large life-saving capsules that can accommodate the entire staff. Each worker (even if he has come to the platform on a single assignment) has a personal place in a capsule. Upon hearing the alarm signal, everyone must immediately occupy his personal place in his capsule and fasten his armchair belt. Anyone who is late will be fined. Similar exercises are said to be even tougher for specialists who engage in similar work in the North Sea. Their capsules are actually catapulted into the sea to a safe distance from the drilling rig, after which they return to the rig.

#### A TRIP IN THE HOLE

The incomparable beauty and valuable natural resources of the Caspian Sea call for the ecological safety of the oil and gas production projects taking place there. Specialists from TMK Premium Service have been to several dozen land drilling rigs in different parts of Russia. This is the first time they have been to an offshore oil platform. They say they have never seen such sophisticated technical equipment elsewhere. All work processes are fully mechanized, and their control is computer-aided. The equipment is the latest available.



The metalware is painted, and machinery not in use at the moment is covered. Not a single drop of oil or drilling mud falls into the waters of the Caspian Sea. The oil platform's deck is covered with waterproof material, and the smallest leakage is immediately eradicated by the person on duty. Liquid from any leakage is collected into special containers to be disposed in the proper place on land. Equally great care is taken of the materials and other supplies on

the oil platform. Each and every pipe supplied by TMK had first been subjected to a regular inspection and a thorough cleaning to remove its corrosion-proofing grease. Not a single pipe brought to the offshore rig has ever been found to be defective. The connecting end of each pipe was covered with a quick-detachable cap, which means the threaded connections remained in the same good condition as they were when they left the manufacturing plant.

The assembly of the drill pipe string was carried out by subcontractor Franks International within 16 hours. In all, 147 pipes were run; the rest were kept in reserve. The connection of each pipe was monitored by a control apparatus with a diagram of the process appearing on the operator's vision control desk. TMK specialists made special mention of the fact that during drill string assembly, the string is placed into position vertically so that the pipes can

**The construction of such an offshore oil rig requires high-tech pipes with gas-tight threaded connections. Such pipes are produced under the Premium brand in Russia only by TMK**

be screwed on together with the aid of a special elevator; the pipes are not dragged horizontally, as is done on well sites on land. The assembled drill string proved to be gas-tight upon testing the packer under a pressure of 200 technical atmospheres, and then upon cutting off the valve under a pressure of 400 atmospheres. The well has a vertical depth of 1,517 meters (the depth along the borehole is 2,310 meters). The maximal angle of deviation of this directional well is 78 degrees. These data, however, are useful for historians who will someday look at the landmark event that occurred on the oil island in the Caspian Sea. The fact that Russian-made pipes were used in the construction of a subsea well marks a major success not only for TMK, but also for Russia's entire pipe industry. While modern equipment opens up fresh opportunities for oil companies, it also makes new demands on Russian pipe manufacturers who are keen to strengthen their market positions. The retooling of TMK's plants will streamline their manufacturing processes and enhance the efficiency of their product quality control system, enabling the plants to turn out sophisticated products. Currently, TMK Premium Service and TAGMET are working jointly on the results of the trial trip in the hole on the Korchagin subsea deposit. Their goal is to develop products with properties that their customers need, and that can meet the conditions where TMK pipes are utilized on the Caspian Sea shelf. ■



# NEW 'ONE FACE TO THE CUSTOMER' INITIATIVE STREAMLINES SALES PROCESS

It's a concept that is becoming more and more idealized in companies that service customers, in industries from banking to manufacturing. That concept is "One Face to the Customer," a model of single-source service and collaboration.



**O**ne Face to the Customer means that companies should present one unified brand and point of contact for every customer they serve, both to provide better service and to streamline internal processes.

The concept has been embraced by TMK IPSCO and is now being put into action with the sales team. By providing a single point of contact within the sales force, the OCTG sales team in North America is now better able to meet customer needs and respond to urgent requests. Through the One Face to the Customer initiative, each inside sales representative can respond to inquiries, provide order information and answer any questions about TMK IPSCO and its products. "One Face to the Customer allows us to provide the best level of service to our customers by making it easier to do business with us," explained Maureen Horn, Manager of Inside Sales-Americas and leader of the initiative. "One point of contact is all that is required for any OCTG sales need."

Previously, sales efforts were decentralized and often required customers to contact multiple sales personnel at various locations. Based on feedback from a recent survey, the sales team learned that TMK IPSCO customers wanted a more centralized experience. "Although they liked our products and our sales people, customers sometimes felt like they were

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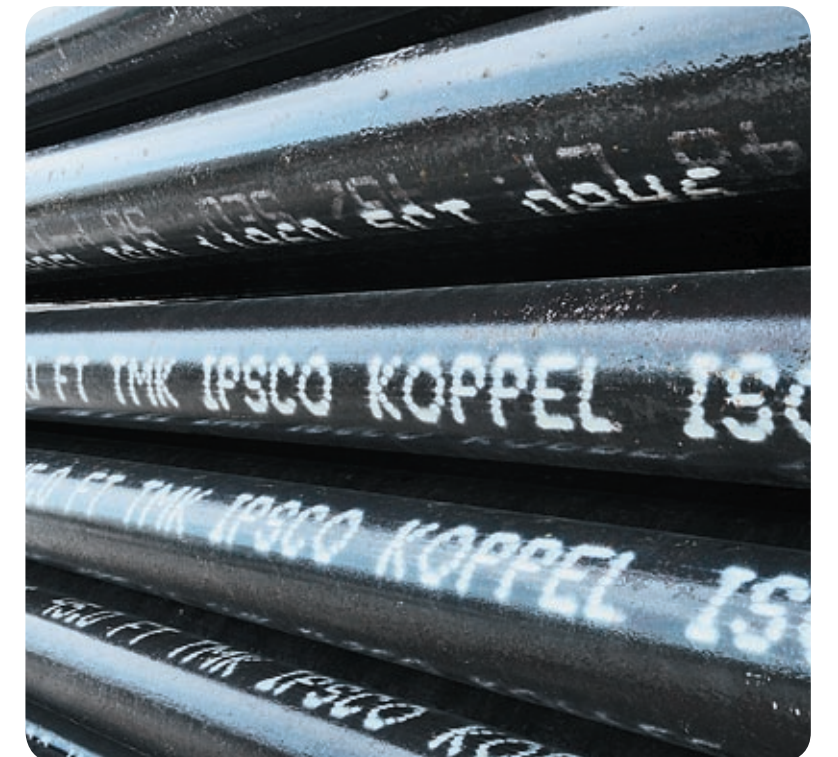
By bringing all of our sales professionals under a single U.S. sales management group, we can standardize our processes and procedures so that the customer experiences a united company and has the best possible experience doing business with us

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doing business with five separate companies," Horn reported. Under the One Face to the Customer effort, the sales groups in Baytown and Odessa, Texas, and Koppel, Pennsylvania, were all centralized in the Houston, Texas location, to create a team of nine inside sales professionals. The centralization allows inside and outside sales team members and managers to meet frequently and face-to-face to share best practices and develop strategies to better serve customers. "We are already seeing a huge benefit in the greater depth of knowledge each sales team member has acquired as a result of the program," Horn noted. "In the event of a customer crisis, any sales person can now step in and assist that customer."

One Face to the Customer is also helping to provide a more united front. "By bringing all of our sales

professionals under a single U.S. sales management group, we can standardize our processes and procedures so that the customer experiences a united company and has the best possible experience doing business with us," explained Scott Barnes, TMK IPSCO Vice President and Chief Commercial Officer. Since the program began this spring, the sales team has continued to see regular improvements. In the coming months, they will be implementing a consolidated data initiative that will provide one source for customer and order information for both internal and external customers. "We've made extraordinary progress and continue to improve by the day," Horn said. "Our ongoing training and data integration will continue to bring the concept of 'One Face to the Customer' to life." ■





# NEW CANADIAN OFFICE BRINGS TMK IPSCO HOME

The newly-opened TMK IPSCO sales office in Calgary, Alberta, Canada, provides many benefits to the company, including improved and timely communication with customers. But that's just the beginning.

"With our long history in Canada, our products are well known and accepted here," explained Dmitry Butorin, Director of Sales for Canada. "Yet, at the same time we are a completely new supplier to the market place."

Prior to becoming part of OAO TMK, the tubular business in North America was owned by Canadian company IPSCO, a company founded in Canada in 1956. This means the Canadian market is familiar with the quality and service associated with the IPSCO name.

Business at the Canadian sales office is already booming, and to build upon the brand awareness and bring the business to the next level of globalization with TMK, the Canadian office is working on new procedures that will allow TMK IPSCO to sell in Canadian dollars, clear customs for our customers, and deliver material to specified locations.

"Canada is a unique market with different operating characteristics and requirements than the U.S. or anywhere else," noted John Kearsey, Sales Manager for Canada. "Being able to fulfill the needs of Canadian operators is greatly appreciated by our clients."

After a difficult 2008 and 2009, the Canadian drilling industry is stabilizing and the expectation is that new shale gas plays and oil sands drilling projects will offer innovative drilling opportunities. TMK IPSCO Canada is working on numerous new products to meet



**“Canada will become increasingly important for the U.S. as an oil and gas supplier. Therefore I expect, the Canadian oil and gas industry will be healthy for years to come”**

these challenges, from a new ULTRA thermal connection to developing steel to meet the tough critical sour service gas market in Canada.

"Future approvals to meet offshore specifications could also lead to expanded sales on the Canadian East Coast offshore markets," Kearsey said.

TMK IPSCO Canada is working to add new clients and markets such as line pipe, coupling stock and mechanical tube. According to

Butorin, the Canadian market will certainly benefit from proximity to the U.S.

"The U.S. Energy Security Program indicates that the U.S. will be decreasing their dependence on oil from 'unstable' parts of the world," Butorin reported. "Canada will become increasingly important for the U.S. as an oil and gas supplier and therefore, I expect, the Canadian oil and gas industry will be healthy for years to come."

## ENERGY RESOURCES OF CANADA

Canada is one of the few developed nations that is a net exporter of energy, ranking sixth in oil production and fourth in gas production globally. Atlantic Canada has vast offshore deposits of natural gas, and Alberta has large oil and gas resources. The immense Athabasca Oil Sands give Canada the world's second-largest oil reserves, behind only Saudi Arabia. The Athabasca deposit is the largest reservoir of crude bitumen in the world and the largest of three major oil sands deposits in Alberta, along with the nearby Peace River and Cold Lake deposits. Together, these oil sand deposits contain about 1.7 trillion barrels of bitumen in place, comparable in magnitude to the world's total proven reserves of conventional oil.

Two years ago, the Canadian Association of Petroleum Producers revised its 2008-2020 crude oil forecasts. The new forecast predicted that Canadian oil sands production would continue to grow. There would be minimal changes to 2008-2012 production, but by 2020 Canadian oil sands production would grow from 1.2 million barrels per day in 2008 to 3.3 million barrels per day in 2020. Total Canadian oil production would grow from 2.7 to 4.1 million barrels per day in 2020. Even if project cancellations are taken into account, this growth would place Canada among the four or five largest oil-producing countries in the world by 2020.

For example, ConocoPhillips announced its intention to increase its oil sands production from 60,000 barrels per day to one million barrels per day over the next 20 years, which would make it



the largest private sector oil sands producer in the world. ConocoPhillips currently holds the largest position in the Canadian oil sands with over one million acres under lease. Other major oil sands producers, including Royal Dutch Shell, Syncrude Canada, Suncor Energy and Canadian Natural Resources,

are also planning to increase their production. Moreover, a number of new pipeline projects can appear during the next few years. TransCanada Corporation, which is one of the biggest operators of energy infrastructure in North America, is based in Calgary, Alberta. Its pipeline network includes approximately 59,000

km of pipeline. It connects with virtually all major gas supply basins in North America and continues to expand. In addition, some deposits of shale gas were discovered in Canada. Taken together, all of these recent developments make Canada one of the most attractive markets for tubular producers.





## CIVIC STAND OF PIOTR GALITZINE

The Woodrow Wilson Award for Corporate Citizenship has been presented to TMK IPSCO Chairman Piotr Galitzine for his contribution to the development of American-Russian relations. At the award presentation ceremony in Washington, the Russian-born American businessman, who is an active philanthropist and an avid supporter of cultural institutions, called for “turning over a new page” in U.S.-Russian relations.

The award presentation took place at the Kathryn and Shelby Cullon Davis Awards Dinner held on October 27 in Washington’s Mayflower Hotel. Kathryn and Shelby Cullon Davis are well-known American philanthropists. The event was sponsored by the Woodrow Wilson Center’s Kennan Institute. The Woodrow Wilson awards, designed to encourage civic-mindedness and philanthropy, have been presented by the Kennan Institute for the fourth successive year in two nominations: for outstanding and enlightened corporate citizenship, and for

preeminence in public service. Former laureates of the awards were Mikhail Piotrovsky, Director of Russia’s State Hermitage Museum; entrepreneur Viktor Vekselberg; Lyudmila Verbitskaya, President of the St. Petersburg State University; Neville Isdell, former chairman and CEO of The Coca-Cola Company; Patricia Cloherty, Chair of the Board of Directors, The U.S.-Russia Investment Fund; and George Cohon, founder of McDonald’s Canada and McDonald’s Russia. The Prize Committee had selected the laureates in the spring of 2010. Most unfortunately, Woodrow Wilson Award for Public Service

honoree Sarah Carey did not live to receive her award. For over 15 years she had served as Chair of the Eurasia Foundation; she was a strong advocate of American-Russian commercial and cultural cooperation. She passed away in August 2010 after a severe illness. Her award was presented to members of her family. A film about Sarah Carey and her public activities was shown at the presentation ceremony. The Woodrow Wilson Award for Corporate Citizenship was presented to Piotr Galitzine, Chairman of TMK IPSCO’s Board of Directors. TMK’s acquisition

of IPSCO Tubular for \$1.7 billion in 2008 represents one of the largest investments ever made by a Russian company in the United States. The son of Russian exiles displaced by the revolution, Galitzine graduated from the Massachusetts Institute of Technology with a degree in Mechanical Engineering. As head of the American division of TMK, one of the world’s largest manufacturers of pipes for the oil and gas industry, he is very knowledgeable about international business. Prior to TMK IPSCO, Galitzine served on the Board of Directors of TMK as an independent director. He also has an extensive international background and career, including senior positions with Mannesmann AG and BASF AG. An active philanthropist, Galitzine is an avid supporter of cultural institutions in Chicago and several initiatives in Russia, including church preservation (“Village Church”), child welfare (Dr. Romanov’s Rehabilitation Center), and the Russian Women’s Microfinance Network based in Moscow. Galitzine accepted his award with

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It is time to put the Cold War and all its unseen but pernicious background radiation behind us. I am convinced that trade – the more the better – is the sanest and most sensible way of ensuring good relations and even world peace  
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words of thanks for his family and observations on U.S.-Russian relations. “It’s time to turn over a new page,” he said, calling for moving beyond the trade disputes remaining between Russia and the United States, for ending the continued application of the Jackson-Vanik amendment to Russia, for lifting the restrictions on poultry exports to Russia, and for finalizing Russia’s entry into the World Trade Organization. “In short,” he said, “it is time to put the Cold War and all its unseen but pernicious background radiation behind us. I am convinced that trade – the more the better – is the sanest and most sensible way of ensuring good relations [between nations], and even world peace.” “It is important,” he continued, “in this time of ‘reset’ of relations to press forward on all fronts of business cooperation, as this is the most pragmatic of all possible interactions on a worldwide scale.” Galitzine concluded by wishing the Kennan Institute “every success in continuing [the Institute’s] good and important work in bringing our two countries, Russia and the United States, together.” ■



### »»» FACT BOX

THE WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, established by Congress in 1968 and headquartered in Washington, D.C. is the living, national memorial to President Wilson, the 28th President of the United States. It is a nonpartisan institution supported by public and private funds. It engages in the study of national and world affairs.

THE KENNAN INSTITUTE was founded in December 1974 as a division of the Woodrow Wilson International Center for Scholars. The Institute’s mission is to improve American understanding of Russia and other successor states to the Soviet Union. For more than 30 years, the Institute has supported the research of hundreds of American and Russian scholars, journalists and policy experts studying the region. In furthering its mission, the Institute has also organized thousands of conferences and meetings. And its publications – from meeting summaries to books – have reached students, educators and policymakers throughout the world

*Based on materials from the Woodrow Wilson International Center for Scholars*



# OPENING DOORS

## Vicki Avril Gives Keynote Address to Industry Group



Few people, if any, will be surprised by the fact that the metals industry is overwhelmingly dominated by men. For nearly 30 years, an important professional organization – the Association of Women in the Metals Industries (AWMI) – has existed to support the advancement of women through a strategic plan of organizational growth, member education, networking and mentoring. The group’s annual conference, held in a variety of casual settings chosen to draw the largest crowd, is a key part of this effort. At this year’s event, which took place September 16-18 at the Lowes Venta Canyon Resort in Tucson, Arizona, TMK IPSCO President and CEO Vicki Avril served as the keynote speaker. “It was an honor to speak before this important industry group,” said Avril. “AWMI does great work and is a source of motivation for

those of us, especially women, who have set out to work in the metals industries.”

### CLOSED DOORS

Avril inspired the conference’s 135 attendees by telling stories of repeated encounters with metaphorical closed doors throughout her life and the lessons she learned from those experiences. “From not being allowed on the golf team when I was in high school to not being taken seriously by an engineering professor at my college, I learned that you should always try to improve the system,” she said. “But you have to do it in steps, and you have to choose your battles carefully.” Fighting battles versus seizing opportunities was a recurring theme in Avril’s message, one which struck a chord with attendees.

“Vicki walked the audience through some memorable moments in her past, both personal and professional, where she believed that a door had been closed in front of her,” said Maureen Horn, Manager Inside Sales – Americas at TMK IPSCO, an attendee at the conference. “Only she found that the closed door was simply a redirection to another door, one that was open, eventually leading her to where she is today.”

### HELPING WOMEN OPEN DOORS

The message also resonated with the leadership of AWMI, an organization that has evolved considerably since it was founded in 1981. “I had to laugh,” said Jacque Cech, who is now completing a two-year term as International President

of AWMI, “because I have been knocking and banging on the door and what I really needed to do is find another door and open that one.” “We really enjoyed Vicki’s presentation,” Cech continued. “I think we have come a long way in 30 years, but there is still work to do, especially on the compensation side of things. AWMI’s mission has changed, and recently we have amended our bylaws to allow men to serve on our boards. We have been pleasantly surprised at the number of men willing to donate their time to the success of the organization.”

### PERSEVERANCE

Attendees were perhaps most surprised and inspired by Avril’s stories of closed doors that continued even after she had broken into the industry. Early in her career, for example, she faced an ethical dilemma involving falsified financial reporting. “I could have done what my boss told me to do and walked right through a door that was wide open before me, into the good favor of my boss,” Avril told attendees. “But this time, I closed my own door, choosing instead to live by my own values.” Avril concluded her address with a simple but powerful message of perseverance that applies to everyone looking to succeed in business: “I would urge all of you to keep persevering when those doors close before you. For every opportunity you are denied, there are ten more out there that are just as good; all you need to do is find and pursue them. Whatever you choose, don’t give up. Believe in yourself, play to your strengths and find opportunities.” ■



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# Global Strength

As one of the largest North American producers of welded and seamless pipe and premium connections, TMK IPSCO is dedicated to serving the oil and gas industry. Our legacy of quality, industry-renowned customer service, and focus on innovative products and services allows us to drive unparalleled value for our customers. TMK IPSCO is committed to being the premier supplier of energy tubulars. As part of OAO TMK, one of the world's largest pipe producers, we offer an expanded line of steel pipe and tube, providing our customers with even more options to meet the market's evolving needs.



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