



*Vankor oil and gas field, Siberia, under a northern sky*

## **Acquisition fuels growth**

Alaska-based oil services company largest acquisition in CH2M HILL history

CH2M HILL has completed its acquisition of Anchorage-based VECO Corporation, a global company with a rich history of delivering first-rate client service, primarily to the energy market sector.

VECO was ranked by *Engineering News-Record* as among the top 25 design firms. Last year, the company reported revenues of approximately \$900 million.

CH2M HILL and VECO signed a letter of intent in May, which was followed by an announcement in mid-June of the terms of the purchase. The acquisition, completed September 7, includes VECO's projects, key assets, and employees. Both companies are working together on transition planning and implementation. Organizationally, VECO operations will be known as the Energy Services and Operations Business Group.

On the following pages, *Unlimited* presents articles about VECO, its history, capabilities, global reach, key projects, and company culture. In addition, CH2M HILL Energy projects are featured, as well as a message from the firm's chief executive officer.



## Message from Ralph Peterson, CH2M HILL Chairman and CEO



*The following message from Ralph Peterson is excerpted from the second quarter Employee Ownership CEO Summary Report, in which he talks about the benefits of the VECO acquisition. The report provides a wealth of information on CH2M HILL, including financial results and business-group successes and challenges. It can be accessed by going to*

*Employee Resources | My Stock and Options on the Virtual Office or by requesting a copy from [ch2munlimited@ch2m.com](mailto:ch2munlimited@ch2m.com).*

For more than a decade we have been systematically investing in our corporate portfolio to build a diversified platform of business groups and worldwide regional operations to deliver a full-service consulting, engineering, procurement, construction, and services offering. We are now seeing the fruits of those labors.

We are taking a giant leap in building out the business foundation that we need to succeed with the acquisition of VECO. Inherent in (our diverse portfolio) is the ability to serve the two most critical needs facing the world: water and energy. Nobody can dispute our firm's reputation in the water markets. We built the firm on our reputation and performance in this business. However, we recognized the need to complement this water expertise with a better position in the energy markets to meet our clients' and society's phenomenally challenging energy needs in the future. VECO

will help us do just that. This wonderful group of people will complement our existing staff to create an immediate position of recognized industry leadership. When I consider the technological, supply, and environmental sustainability challenges facing the water and energy markets, I can think of no better organization to do it.

*"This wonderful group of people will complement our existing staff to create an immediate position of recognized industry leadership."*

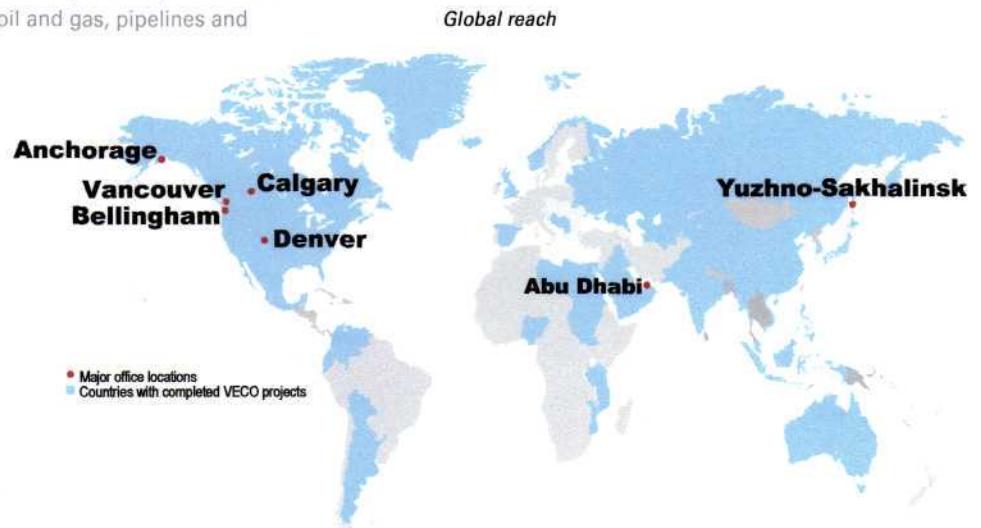
As we enjoy our success, I am reminded there are also corresponding responsibilities. Last quarter, I asked each of you to take the time to welcome new colleagues working in your groups and offices. Our continued growth through strength in our existing business lines and the assimilation of a large acquisition only amplifies this need. Remember the things that made a positive difference in your first days with this great company or a previous job and extend that same courtesy to our new colleagues. We have a great ability to attract the best and brightest to work with us; it is up to all of us to make them want to stay.

We are on a powerful trajectory. I am excited by the potential of this enterprise and take great comfort that any challenges we face will be met with the same confidence and success that I have seen so many times before.

### VECO operations at a glance

- Based in Anchorage, Alaska, VECO was established in 1968
- More than 4,000 employees worldwide and revenues of approximately \$900 million
- A leader in the oil services industry, supporting industry heavyweights such as BP, ConocoPhillips, Shell, ExxonMobil, and Petro-Canada
- **Core capabilities:** engineering, project management, procurement, construction, operations and maintenance services to energy, resource, process industries, and the public sector
- **Markets:** oil refining, upstream oil and gas, pipelines and terminals, power generation and electrical distribution, chemical, pharmaceutical and biotechnology, mining and metals, federal services, and infrastructure, among others
- **Major offices:** Abu Dhabi, United Arab Emirates; Anchorage, Alaska; Bellingham, Washington; Calgary, Alberta; Denver, Colorado; Fairbanks, Alaska; Kenai, Alaska; Prudhoe Bay, Alaska; Vancouver, B.C.; and Yuzhno-Sakhalinsk, Russia

- Most recent ENR Rankings: Top 500 Design Firms
  - 24th overall
  - 1st in maintenance
  - 2nd in cogeneration
  - 2nd in pipelines
  - 6th in petroleum
  - 7th in refineries and petrochemical plants





## A project portfolio

To show the scope of work employees are doing around the world, below are several highlights of past and present projects and operations.



Ice roads serve as ephemeral transport links to remote drill sites during the dark days and nights of Arctic winter.

Crews in the Arctic often battle the most severe weather conditions on the planet.

### Service in the extreme: Alaska's North Slope

Employees are working on projects from Anchorage to Abu Dhabi, but one of their "coolest" areas of service is in the oil fields on Alaska's North Slope. Oil and gas companies rely on VECO for much of the on-the-ground work in the region, and VECO employees help ensure that operations run smoothly, safely, and efficiently.

VECO Base, the company's regional headquarters at Prudhoe Bay, is home to nearly 600 VECO workers. They spend half the year on the North Slope working a rotating schedule of two to three weeks on and two to three weeks off.

Located 250 miles north of the Arctic Circle, employees provide drilling and maintenance support to major oil producers and several third-party independent oil companies 24 hours a day, 365 days a year.

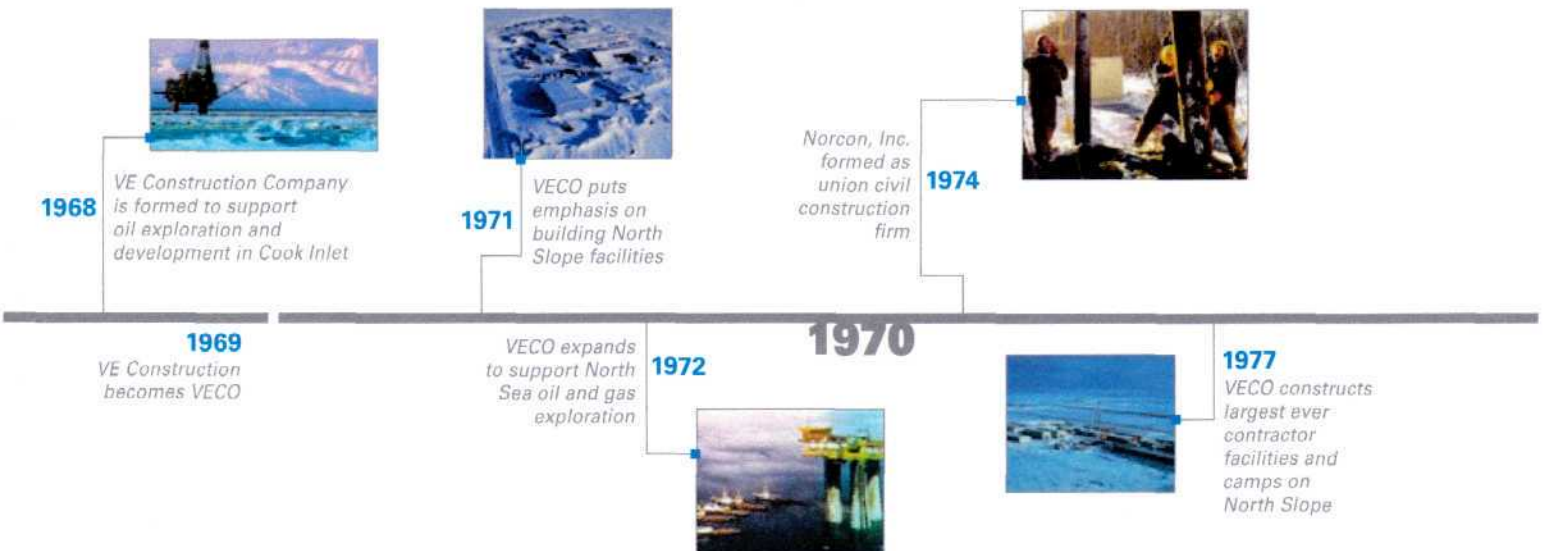
#### Ephemeral ice roads pave way to drill sites

You might think that winter is a time when operations north of the Arctic Circle slow to a crawl, but it's actually a busy time.

One of the most challenging tasks for North Slope crews is the

construction of wintry transportation corridors known as "ice roads." These roads are temporary links to remote drill sites that are built during the winter months to minimize environmental impact. An ice road is built over lakes, the ocean or tundra using a combination of fresh water, ice chips, and snow. From 30 feet wide by 6 inches deep to 300 feet wide by 35 feet deep, ice roads can stretch up to 75 miles long.

Designed to support loads weighing up to a million pounds, these Arctic roadways, built when it's no warmer than -20° Fahrenheit (-29° Celsius), connect distant outposts with key processing facilities and pipelines. A successful ice road will facilitate the transport of millions of pounds of product and supplies over the course of its short, seasonal life. (After just a few months of operations, ice roads disappear in the spring thaw without a trace left behind.)



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### Drilling in subfreezing temperatures

North Slope employees are involved in nearly every aspect of drilling, from initial rig setup to follow-up operations and maintenance after wells are established.

Drill rigs on the North Slope are unusual in that they can be transported from drill site to drill site without reassembly. Most rigs have a camp that moves with the rig, providing room and board for the workers.

One of the first tasks for the crew is to prepare a rectangular pit, called a cellar, in which the drill rig and equipment will operate. Most drilling begins with a "conductor," a hole in the ground with a long, large-diameter steel pipe inserted into it, which serves as a sleeve.

Drilling for the conductor is basically a two-person operation consisting of an operator or driller and an oiler. Equipment needed includes a drill (a massive auger of sorts with around 100,000 foot-pounds of torque), an 82-ton boom-truck crane, and a front-end loader. Other equipment used to support the operation includes tractor-trailers, concrete trucks, and a cement batch plant.

The process of drilling the conductor can take anywhere from a few hours to two days, depending on permafrost conditions and the composition of the soil. Conductors can reach depths of 160 feet.

When drilling is complete, special arctic cement is poured between the wall of the pipe and the wall of the drilled hole and a six-inch floor is poured into the cellar. The site is now ready for full-scale drilling operations.

Employees have supported the drilling of hundreds of wells since 1977, when the firm first began operations on the North Slope. The majority of the conductors on the North Slope have been drilled by VECO. UN  
LGA



#### Valdez environmental cleanup

As the prime contractor for the multi-billion dollar 1989 Exxon Valdez spill cleanup, VECO employees worked tirelessly to help restore the damaged environment. The experience shaped a company culture in which safety and environmental stewardship are valued above all else.



#### Writing the book on safety

The VECO Base fluids team, responsible for transporting product to oil and gas processing centers, is renowned for its commitment to safety. The team's 125-page fluids transfer manual is the most comprehensive collection of safety procedures ever developed by a contractor on the North Slope. As of press time, the team's safety record stands at 2,180 days without a safety incident.

## Pipeline construction in Canada's heartland

One of the largest projects in VECO history drew to a close in early 2007. For more than 22 months, the VECO team had been planning and executing the mechanical and piping construction for the Surmont Phase I SAGD project near Anzac in Ft. McMurray, Alberta.

The project required more than 300 VECO employees and 100 subcontractor employees. The team set up and installed more than 85 modular structures and completed 17,000 welds with a repair rate of only 0.6 percent. There were in excess of 700,000 work hours expended and the enviable safety record was: zero lost-time injuries and only nine workers who required first aid. UN  
LGA

VECO is awarded Conoco's Milne Point construction contract

1985



1986

VECO constructs the first non-union pipeline on the North Slope—61 miles long



1980

1987

VECO is the first contractor to build oil field modules in Alaska



1989

VECO serves as Exxon's prime contractor for Valdez oil spill



1989

The firm completed installation and hookup of 19 process modules for Red Dog Mine



## A growing presence in Middle East, North Africa

Although active throughout the Middle East, Africa and Asia, VECO's strongest presence in the region is Abu Dhabi, United Arab Emirates, where the firm has grown into a major player in the oil and gas industry.

VECO has contracted a number of engineering, procurement, and construction (EPC) projects throughout the United Arab Emirates:

- **Sponge Loss Recovery at Ruwais Gas Plant (client: GASCO):** Employees are pioneering a new process to enhance propane and butane recovery at the Ruwais plant.
- **Asab Water Injection Upgrade (client: ADCO):** The largest EPC contract awarded to VECO in the region, this Abu Dhabi project is now commissioned and is well into the close-out phase.
- **Filtration Units at Das Island (client: ADGAS):** The initial detailed engineering design was completed this year. Das Island is a key storage and export center for Abu Dhabi's offshore oilfields.

On the project management consultancy side, employees are managing some \$4 billion in oil and gas project investments in the United Arab Emirates. Most recently, the firm was awarded a major 5-year project management consultancy contract for a multi-billion-dollar oilfield development project.

On the detailed design and front-end engineering and design side, VECO has completed and is currently executing a number of projects covering pipelines, gas compression, water and gas injection, and gas and oil production throughout the region.

In North Africa, they are maintaining a strong presence through long-term collaboration with China Petroleum Engineering Construction Corporation, providing detailed engineering services for a range of EPC projects.

From Algeria to China, VECO prides itself on its strong client relationships. More than 90 percent of revenue is generated through repeat customers. The firm's growth in the region is impressive by any standards, with revenues doubling from 2005 to 2006, and doubling once again from 2006 to 2007.



### Russia's far east

VECO is a key part of the project management team for ExxonMobil's Sakhalin 1 facility, a 250,000 barrel-per-day oil processing center off the northeast coast of Sakhalin Island, in eastern Russia. VECO has been delivering oil and gas support services for clients on Sakhalin Island since 1993.



1994

The firm acquired Christensen Engineering in Bellingham, WA and Burnaby, BC.



1997

VECO bought Rapley Engineering in Englewood, CO



1998

ARCO awards VECO the MIX project

VECO acquired Quantel (Canada, UAE)

1996



1990

1998 The firm acquired Commonwealth Construction, Burnaby, Canada

## VECO regional and business organization

VECO is organized into three regions: the Alaska region (includes Russia operations); the United States; and Canada, which includes all other global locations. The company has several subsidiaries, as well as two sizable joint ventures, SMNM-VECO and ECC-VECO, both of which do construction work in Russia, including Sakhalin Island.

Norcon and Commonwealth Construction, two well-known and respected construction companies, are both VECO subsidiaries. Commonwealth Construction and Norcon retain their brand identities after the acquisition.

### Industry-leading Norcon

Norcon, a wholly owned unionized subsidiary, has been a leader in full-service industrial construction in Alaska for more than 25 years. Norcon specializes in oil and gas processing and civil engineering, including roads, power plants, and power transmission facilities. The workforce is in the 350 to 400 range, with main offices located in Anchorage, Fairbanks, and Prudhoe Bay, Alaska. Major clients include BP, all major Alaskan electrical utilities, ACS, and municipal, state, and federal governments.



Hudson's Bay Company, Calgary, Alberta, Canada, 1911. Commonwealth (then known as Carter, Halls, Aldinger) built its reputation with large-scale construction projects like this Calgary landmark.

THEN



### Commonwealth

#### A century of Commonwealth

Renowned in its industry as a first-rate construction operation, British Columbia-based Commonwealth Construction celebrates its 100th anniversary this year. Commonwealth, acquired by VECO in the late 1990s, is a full-service, union builder with a focus on project management, construction management, general construction, and design-build contracting.

Over the years, Commonwealth has grown its markets, expanding into co-generation and refining. Commonwealth's current markets include oil and gas services, mining operations, power generation and pulp/paper.

Syncrude Canada Ltd., Fort McMurray, Alberta, Canada, 2007. Commonwealth is providing mechanical, piping and construction services to support Syncrude's oil sands development.

NOW





## Meet the new faces of CH2M HILL's Energy Services and Operations

VECO operations, organizationally, are now known as the Energy Services and Operations Business Group. An executive leadership team has been established, supported by regional operation leads, to oversee continuity, integration and growth in the newly formed group. Together, the management team will build on VECO's tremendous legacy of project delivery, safety and client service.

### Executive leadership



**Garry Higdem** is president of the newly established Energy Services and Operations Business Group. In this new role, Higdem is responsible for overseeing all post-acquisition operations. He also retains his current role as president and group chief executive for CH2M HILL Consulting, Engineering, Procurement and Construction.



**George Lemmon** is the group's chief operating officer. As a key member of the executive management team, he shares responsibility for ensuring a smooth and stable transition to a successful combined operation. Lemmon retains his current role as chief operating officer of the Industrial Client Group.

### Operations leadership

The business group is fortunate to have four exceptional leaders from VECO stepping into high-level management roles. Their talents and experience will provide continuity, while maintaining the project delivery and client service strengths that have defined VECO over the years.

These individuals are responsible for ongoing operations in their designated regions, including client service, health and safety, project delivery, financial performance, risk management and staff management.



**Chuck O'Donnell** will head up the Alaska Operation. O'Donnell was president and general manager of VECO Alaska. He has more than 30 years of experience in the industry with diverse leadership and management roles.



**Ken Marzocco** will manage the USA Operation. Marzocco served as president and general manager of VECO USA. Based in Bellingham, Washington, Marzocco has been with VECO for 16 years.



**Rene Massinon** will lead the Canada Operation. Massinon was president and general manager of VECO Canada. He is an electrical engineer with 30 years of experience in engineer, procure, construct, primarily in the upstream oil and gas business, as well as in pipelines and terminals.



**Fadi Abbosh** will oversee the Middle East Operation. Based in Abu Dhabi, United Arab Emirates, Abbosh led VECO operations in the Middle East and North Africa. He has considerable experience in the Middle East, North Africa, Europe, North America, and Asia and is fluent in Arabic and a number of European languages.



Established nearly 40 years ago to support Alaska's burgeoning oil and gas industries, VECO has evolved into an EPC powerhouse. Over the years, VECO has built a reputation for client service and for delivering challenging projects in remote, isolated areas.

At left is BP's Northstar module, engineered by VECO in Anchorage and sea-lifted to its site in the Beaufort Sea off Alaska's north coast. Northstar is now one of North America's top producing oil fields.