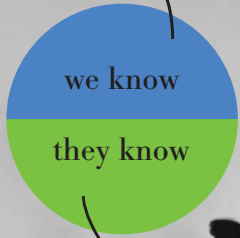


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Surgutneftegas strikes oil with SAP and IBM.

Surgutneftegas is one of the three leading companies in the Russian oil market, with more than 86,000 employees, and the eleventh largest oil company in the world. Since 1961, when oil deposits were first discovered in Western Siberia, total production of the fields has reached more than one billion tons. Today, the company output accounts for one-eighth of all oil produced in Russia, and for one-third of all natural gas production. Surgutneftegas also undertakes one-quarter of all exploratory and production drilling in Russia, and its oil output is rising steadily by 8–12 % every year. Petroleum Finance Company ranked Surgutneftegas 25th in its 2002 PFC 50 ratings of the world's best oil companies.

Since going live with its first SAP solution in November 1994, Surgutneftegas has steadily built up its information processing capabilities using SAP R/3, which currently serves more than 3,700 named users. Recent projects have focused on updating the data centers at Surgutneftegas, in order to provide greater resilience for its SAP R/3 systems, and to ensure that the company's rapid growth can be securely managed.

Robust performance.

To ensure optimal performance and resilience, Surgutneftegas runs its SAP R/3 systems on IBM @server zSeries with IBM DB2 as database, and an IBM @server pSeries as application server. The architecture employs advanced IBM Parallel Sysplex technology to share data and system resources between two zSeries servers, enabling the achievement of extremely high availability. Surgutneftegas also has 300 SAP users for SAP Human Resources, which runs on pSeries, with an Oracle database.

Says Nikolai Matveev, Chief Engineer of Surgutneftegas, "The SAP implementation project required maximum robustness for our server infrastructure: zSeries provided high performance and reliability."

Leading the way.

Surgutneftegas was the first Russian company in its sector to implement SAP. The software supported the internal corporate processes, and helped achieve greater tax efficiency. This Corporate Clearing Center project was followed by the installation of the SAP Materials Management module. Surgutneftegas used this module to build a single materials management

Overview

■ The Challenge

Surgutneftegas needed to optimize management processes, to improve operational and tax efficiency. It also needed to ensure high availability and security of operational data.

■ The Solution

Industry: Oil & Gas
Application: SAP® R/3®
Hardware: IBM @server® zSeries™; IBM @server pSeries™
Software: DB2®

■ The Benefits

Greater tax efficiency; improved transparency of corporate information; single unified materials management system; high reliability and availability of information systems.

system covering all activities, by mapping more than 72,000 material master records and 57 warehouses onto the system. This brought a return on investment in less than six months, and paved the way for new solutions built around SAP.

Enterprise-wide benefits.

The SAP R/3 system of Surgutneftegas is in production in eight sub-divisions of the company. All financial data streams, both external and inter-departmental, are handled by the SAP R/3 system, which has also been implemented in the central accountancy center. The SAP solutions are now responsible for all purchasing, distribution, and invoicing carried out by Surgutneftegas. As a result, Surgutneftegas has been able to significantly reduce its stock of material resources, and its VAT efficiency has increased. The implementation of SAP initially aimed to improve the structure and transparency of accountancy information, but now covers all aspects of the company's business.

A taxing problem.

Revised Russian tax regulations made it desirable to have an integrated enterprise-wide accounting system. This proved a significant undertaking, as Nikolai Matveev explains, "We had to take millions of feeds, all the way up and down the 'pyramid' of our organization, and make them emerge in the form of a single tax declaration. It was a very important and complex project."

Using SAP R/3, Surgutneftegas was able to complete the tax project within six months, and now has an efficient, automatic system that complies fully with new tax regulations. Nikolai Matveev comments, "This project showed very clearly the kind of problems that SAP R/3 enables us to solve."

Solid infrastructure from IBM.

To manage SAP data, Surgutneftegas uses two IBM **@server** zSeries 900 enterprise servers (both 2064 Model 2C4), which are coupled with the Parallel Sysplex cluster solution and pSeries servers, which act as application servers. In addition, Surgutneftegas plans to run some pilot SAP projects (for Human Resources and mySAP Business Intelligence).

Parallel Sysplex technology is the IBM method of clustering individual servers together to share processing workload, so that there is no single point of failure in the system. In the unlikely event of a component failure, work can be automatically redistributed to the remaining processors. The cluster structure created by Parallel Sysplex protects business systems against downtime and delivers continuous availability, flexible growth, and dynamic workload balancing. "The Parallel Sysplex zSeries environment was selected as the best way to meet our high demands for reliability, security and availability," says Nikolai Matveev.

Fuel for the future.

In 2003, Surgutneftegas will focus on developing its backup center. Following extensive research, the company is considering the implementation of IBM Geographically Dispersed Parallel Sysplex™ (GDPS), which provides disaster recovery capabilities. Surgutneftegas already has all the necessary hardware and software in place, and anticipates that GDPS will further improve the availability of the SAP solution and help to automate data processing operations across its numerous geographic sites.

Using GDPS, Surgutneftegas expects to achieve a Recovery Time Objective of less than six hours, and a Recovery Point Objective of less than one minute. The company also aims to expand its SAP solution to cover 7,150 users by

the end of 2004. By the end of 2005, the main system will cover some 8,340 users, at which time Surgutneftegas plans to upgrade to a new release.

"We believe that the most important benefits of our SAP implementation are yet to be seen," says Nikolai Matveev. "We are laying the foundations for integrated accounting and performance measurement, by gradually bringing in pilot projects which will eventually cover the whole enterprise. Each new phase will give us better control over the business, and increase our competitive advantage."

Further Information.

To learn more about how the IBM and SAP alliance can help your business, please visit: ibm-sap.com



IBM Deutschland GmbH
D-70548 Stuttgart
ibm.com

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SAP AG
Neurottstraße 16
D-69190 Walldorf

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