

LUKoil's H1 Gas Production Compensates for Weaker Oil

By [The Moscow Times](#)

August 15, 2010

The  Moscow Times

LUKoil, the country's second-largest crude producer, said Friday that it boosted total output in the first half to 2.26 million barrels of oil equivalent per day as gains in gas compensated for falling oil production.

Oil output declined 1 percent to 1.96 million barrels per day in the first half, LUKoil said in a statement. Russian production fell 1.7 percent to 45 million metric tons (1.83 million bpd) in the period, and international output rose 9.2 percent to 3.11 million tons.

Oil output will probably continue to decline slowly in Russia until LUKoil starts production in 2013 at Filanovsky, its largest Caspian field, said Pavel Sorokin, an oil and gas analyst at Alfa Bank. The Korchagin field in the Caspian, which began producing earlier this year, has not balanced out declines at core West Siberian deposits.

“Opportunities for output growth in Russia, the company’s key production region, have been

limited, but with the exit of ConocoPhillips that may change,” Sorokin said.

LUKoil agreed to buy 7.6 percent of its own shares back from the Houston-based company and has until Sept. 26 to exercise an option to purchase as much as 11.6 percent more.

The company may improve its chances of gaining rights to large deposits to which the state has limited foreign access by increasing its Russian ownership, Kiti Pantskhava and Maxim Korovin, analysts at VTB Capital, said last week.

On Friday, LUKoil also announced that it had raised \$1.5 billion in an unsecured loan to finance part of the buyback.

Conoco said last month that it would sell its entire 20 percent stake in LUKoil, which will buy back 40 percent of that for \$3.44 billion using the \$1.5 billion club loan from six banks as well as its own funds.

Meanwhile, output of gas available for sale rose to 9.24 billion cubic meters in the first half, up 26 percent from a year earlier, LUKoil said.

Refinery throughputs increased 8.2 percent to 32.4 million tons, it said. Processing at international plants rose 26.1 percent to 10.2 million tons, and domestic plants increased 1.5 percent to 22.2 million tons.

(Bloomberg, Reuters)

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