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Bashneft, Surgut Only Bidders for Trebs, Titov

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Bashneft, controlled by billionaire Vladimir Yevtushenkov's AFK Sistema, may be favored to win Russia's largest undistributed oil fields as one of only two producers cleared to bid.

Bashneft and Surgutneftegaz, which has the largest cash pile in the country's oil industry, are the only two companies, out of six contenders, that are approved to proceed with bidding in the tender, Natural Resources Ministry spokeswoman Yelena Koverga said Monday by telephone, without elaborating.

"Bashneft is the favorite," Chris Weafer, chief strategist at UralSib, said in a research note. "Bashneft, now that it is part of the well-connected Sistema group, is making rapid progress from the second division of Russian oil producers to the premier league."

Five Russian oil companies and a unit of India's Oil & Natural Gas Corp., known as ONGC, submitted documents for the planned tender before the Sept. 20 deadline. The government found "significant" errors in most applications, Kommersant reported. LUKoil, Gazprom Neft and TNK-BP had applied.

Trebs and Titov, in the western Arctic, may hold more than 200 million metric tons of recoverable reserves, according to the government. This is about half the reserves of Rosneft's Vankor, the country's largest new oil development. The winner will be announced on Dec. 2.

"Were Bashneft to acquire the Trebs and Titov fields, that would double the company's reserves and be a major positive trigger for the stock," VTB Capital said in a research note Monday.

Sistema jumped the most in three months in London on Monday. The Global Depositary Receipts rose 4.9 percent to $24.96 at the 4:30 p.m. close in London, their biggest gain since July 2. Surgutneftegaz closed up 1.6 percent at 28.937 rubles in Moscow, its biggest gain since Sept. 1.

At peak, the two fields would be producing half of Bashneft's current output, Troika Dialog said in a research note. Bashneft pumped 290,000 barrels per day last month and plans to boost output to 300,000 bpd in 2013. Bashneft said this month that it has the financial resources to bid alone for the two fields, which are being offered with a starting price of 18.2 billion rubles ($596 million).

Bashneft "has one thing that the others might not: It wants to get Trebs and Titov badly," Troika said last week. While the Bashkir producer doesn't have assets in the area, it may have a "very strong chance of winning."

LUKoil's press service said the company is waiting for official notice of its exclusion from the bidding. TNK-BP spokesman Dmitry Sergeyev, Gazprom Neft spokeswoman Yekaterina Stenyakina and ONGC chairman R.S. Sharma declined to comment on Trebs and Titov.

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