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Rosneft and LUKoil Eyeing Arctic Exploration Together

By The Moscow Times

April 25, 2011



Rosneft and LUKoil, Russia's two largest oil producers, plan to set up corporate structures for Arctic transit and offshore exploration projects by Aug. 1 as the companies seek to maintain output.

State-controlled Rosneft and LUKoil will prepare "specific proposals" on the projects within a month after forming ventures, Vagit Alekperov, LUKoil's billionaire chief executive officer, told Prime Minister Vladimir Putin at a meeting on April 23, according to a transcript posted on the government web site.

Alekperov and his counterpart at Rosneft, Eduard Khudainatov, agreed last week to share export infrastructure in the northern Nenets region and cooperate on natural-gas transportation from Rosneft's Vankor deposit and LUKoil's Bolshekhetskaya Depression fields, according to an April 21 statement.

"For now it seems they are just looking at infrastructure, but in reality LUKoil is looking to gain access to reserves," Lev Snykov, an oil and gas analyst at VTB Capital in Moscow, said by telephone Monday.

The companies may "combine" untapped oil fields in the Nenets region by building a unified transit network to LUKoil's export terminal at Varandei on the Barents Sea, Alekperov said.

LUKoil agreed to buy a 25.1 percent stake in a venture with Bashneft to develop the Trebs and Titov oil fields in the Nenets region on April 15, after being disqualified last year from bidding for the project.

A previous project between LUKoil and state-controlled Gazprom Neft to seek resources in the same region may collapse as Rosneft looks to be a stronger partner, Snykov said.

LUKoil and Rosneft will also look to expand cooperation in exploration in the Black and Caspian seas, Alekperov said.

"We are looking at two prospects," Alekperov told Putin without further detail.

LUKoil and Rosneft are partners already in the North Caspian project, which holds rights to 10 structures, according to the Rosneft web site.

The companies also have a venture to explore and develop the Temryuksko-Akhtarsky block in the Azov Sea. The new ventures would target other reserves, according to LUKoil's press service on April 21.

The benefit to the companies "is very hard to quantify at this point," Snykov said.

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