

Deadline Looming for Rosneft and BP

By [The Moscow Times](#)

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BP chief executive Dudley, on screen, looking 'optimistic' Friday about a decision on the deal with Rosneft. **Gianluca Colla**

BP remains "optimistic" about agreeing on a share swap with Rosneft as the Russian producer draws out a decision before a May 16 deadline.

Rosneft is still weighing a proposal to replace BP in an Arctic exploration deal with the British company's local venture, TNK-BP, and proceed with the swap, Rustam Kazharov, a spokesman for the state-run company, said Friday.

"I can't comment about time, but I'm sure we'll see a deal sooner or later," BP chief executive Robert Dudley said Friday in St. Gallen, Switzerland.

BP's billionaire partners in TNK-BP won an injunction in February on the Rosneft alliance, saying their shareholder agreement gives their 50-50 venture exclusive rights to pursue opportunities in Russia. The BP-Rosneft alliance was set to become Dudley's biggest deal since becoming head of BP following the Gulf of Mexico oil spill last year.

TNK-BP, set up in 2003, made BP the biggest foreign producer in Russia and now accounts for a quarter of BP's output and a fifth of its reserves. Five years later, the billionaires, represented by a group called AAR, ousted Dudley as head of TNK-BP as part of their resolution of a shareholder battle over strategy.

Rosneft agreed on April 14, the day the swap agreement initially expired, to move the deadline to May 16, giving BP and the billionaires a month more for arbitration.

The tribunal on May 6 allowed BP to swap 5 percent of its shares for about 9.5 percent of Rosneft, Russia's largest oil producer, as long as Rosneft agrees to take on TNK-BP as its partner for Kara Sea exploration.

The stakes, each valued at about \$7.8 billion when the alliance was announced on Jan. 14, may be held for investment purposes only, and neither Rosneft nor BP is allowed seats on each other's boards, according to the tribunal.

"The company will make a decision that best meets its shareholders' interests," Kazharov said, declining to give a time frame on a decision. "The company wants to take a very balanced approach to making a decision."

Rosneft chief executive Eduard Khudainatov said it needs BP's expertise to explore offshore Arctic resources, rather than a partnership with TNK-BP. The Kara Sea blocks Rosneft offered to BP contain as much as 100 billion barrels of oil equivalent.

BP offered its partners participation in the Arctic, cash and international projects to allow BP to proceed with the Rosneft deal, Dudley said last month. The Russian partners also rejected a \$27 billion buyout offer from BP and Rosneft.

A BP and Rosneft alliance is "attractive" and the two companies are continuing talks, Energy Minister Sergei Shmatko said Friday, declining to comment on TNK-BP.

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