

LUKoil Ups Reserves, Cuts Output, Refining

By [The Moscow Times](#)

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LUKoil decreased crude output about 5.5 percent last year while boosting reserves through exploration as western Siberian fields declined.

Crude output dropped to 90.7 million tons, or 1.82 million barrels a day, the company said Friday in a statement. That led to a 3.9 percent decrease in combined oil and gas output to 112.7 million tons, while gas production rose 3.2 percent to 22 billion cubic meters, LUKoil said.

LUKoil, which has had annual production declines for the last two years, aims to maintain level oil output in Russia this year. The country reduced the rate used to set crude export duties in October to stimulate output, which provides the bulk of budget revenues.

"Last year for LUKoil was basically written off by investors in terms of their production," said Artyom Konchin, an oil and gas analyst at UniCredit. "They didn't drill because there was

a low return on investment until October. The impact from larger planned investments should be seen quite quickly."

Investments may climb to \$13.9 billion this year with more than 70 percent earmarked to halt declines in Western Siberian units and ramp up the West Qurna-2 project in Iraq, chief executive Vagit Alekperov said Dec. 1. That compares with \$9.8 billion last year, a 22 percent increase from 2010, the company said Friday.

Oil and gas reserves under Russian classification advanced 143 million tons, LUKoil said. That compares with 123 million tons the previous year.

Refining volumes fell to 53.5 million tons last year after LUKoil shut its Odessa refinery in Ukraine and reduced loadings at its Bulgarian and Romanian refineries, LUKoil said. Refining volumes were 66 million tons in 2010. The Odessa plant, with capacity to process 56,000 barrels a day, was closed in 2010 because of poor market conditions.

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