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ExxonMobil, Shell Win Ukraine Shelf Approval

By The Moscow Times

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KIEV — Ukraine has selected a consortium led by ExxonMobil and Royal Dutch Shell to develop its Skifska gas and oil field in the Black Sea, a government minister said on Wednesday.

The project, whose total costs have been estimated by the government at $10-12 billion, is part of the former Soviet republic's plan to ease its dependence on gas imported from Russia, which amounted to some 40 billion cubic meters last year and accounted for nearly two thirds of the country's consumption.

"The government has supported a proposal ... to sign a production-sharing agreement naming a group of companies, led by ExxonMobil as operator," Natural Resources and Environment Minister Eduard Stavitsky told reporters.

Skifska, predominantly a gas field, is estimated to hold reserves of 200 to 250 bcm of gas, he

said, and is expected to eventually produce 5 bcm a year.

Russia's LUKoil had also bid in the tender for Skifska.

Stavitsky said the winning consortium, which also includes Romania's OMV Petrom and Ukrainian state company Nadra Ukrainy, would start work on the field this year.

As a condition of the tender, the winner must pay the government 2.4 billion hryvnas (about $300 million) after signing the 50-year production sharing agreement.

The price of Russian gas imports has been rising steadily over the past three years but Kiev's attempts to renegotiate the supply agreement have so far been unsuccessful and the government is now trying to cut imports instead by switching to coal, cutting overall consumption and developing domestic gas deposits.

In May, the government picked Shell and Chevron Corp as partners in projects to explore and develop two potentially large onshore shale gas fields.

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