

LUKoil Buys Oil Firm from Hess for \$2Bln

By [The Moscow Times](#)

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LUKoil, Russia's second-largest crude oil producer, agreed to acquire small producer Samara-Nafta for \$2.05 billion from Hess Corp. as part of a long-term strategy to stabilize falling oil output.

Samara-Nafta produces about 50,000 barrels per day and is headed by Simon Kukes, former chief executive of now defunct Yukos oil company and of TNK, which was folded into TNK-BP assets in 2003.

It has about 85 million tons of Category 1 and 2 oil reserves, a classification that is close to probable and proven reserves, LUKoil said. Its production assets are in the Volga River regions of Samara and Ulyanovsk.

"The above transaction harmonizes with the company's development strategy until 2021, which provides for stabilization and growth of the oil production rate in Russia," LUKoil President Vagit Alekperov said in a statement Monday.

LUKoil's oil production has been on the decline for three years due to an increasing rate of depletion of fields in western Siberia as well as disappointing output at its new deposits in the Timan-Pechora region in northern Russia.

Hess said that, based on its 90 percent stake in Samara-Nafta, its total after-tax proceeds from the deal would amount to about \$1.8 billion.

The transaction is part of the U.S. company's plan to sell assets including in the United Kingdom, Texas and Azerbaijan and use the proceeds totaling \$3.4 billion so far this year to reduce debt and strengthen its balance sheet so it can fund growth and return capital to shareholders, it said.

The deal is subject to approval by the Russian government's anti-monopoly regulator.

LUKoil has been aggressively increasing its resource base by buying into overseas upstream projects, including the West Qurna-2 field in Iraq.

Russian newspapers and agencies have reported that Bashneft and Gazprom Neft were among the bidders for Samara-Nafta.

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