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State Companies May Queue for 'Great' Oil Field

By Alexander Panin

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Velikoye oil field was first discovered in 2012 and was said to contain estimated reserves of about 40 million tons of oil.

State companies may be interested in developing the recently discovered gigantic oil field in the Astrakhan region near the Caspian Sea, analysts said Thursday.

Earlier this week Energy Minister Alexander Novak said that a huge oil and gas field had been discovered by a small oil firm AFB in Astrakhan, a hydrocarbon treasury in Russia's south. The field, called Velikoye, or "great" in Russian, has estimated reserves totaling 300 million tons of oil and 90 billion cubic meters of gas.

"Exploration works still continue on the field but it is already evident that it is one of the biggest onshore hydrocarbon discoveries," Novak said, Kommersant reported Thursday. The minister compared Velikoye with Rosneft's Vankor Field in Eastern Siberia that has almost 500 million tons of oil reserves.

Together with Vankor, Velikoye is now ranked among the top five largest oil deposits in continental Russia.

The deposit was discovered by a virtually unknown company, which took up the risks of investing in exploration, and it is looking for an opportunity to team up with larger players, Novak said, according to news reports.

Vagit Alekperov, the head of Russia's largest private oil producer LUKoil, said the company was not ready to discuss its plans on development of Velikoye deposit because it had not had a chance to review the necessary geological data, Itar-Tass reported Thursday.

A source close to the company earlier told Kommersant that LUKoil was not interested in the asset.

"LUKoil has enough of its own oil fields in Astrakhan and on the Caspian shelf, including the ones larger than the newly discovered deposit, which will keep it occupied for decades to come," said Anatoly Dmitrievsky, the head of Russian Academy of Science's Oil and Gas Research Institute.

Instead, state-owned oil companies may step up to develop Velikoye, other industry analysts said.

"Most likely it will be Gazprom — through its subsidiary Gazpromneft — or Rosneft," Investcafe analyst Grigory Birg said.

The analyst estimated the overall value of the asset at $1.5 billion to $1.7 billion.

Exact reserves of the oil deposit are not fixed and are still subject to change, which will require additional drilling, Dmitrievsky said, adding that this does not question their existence.

The reserves are of Russian C2 category, which means the deposit had been "thoroughly explored," the expert said.

The oil at Velikoye was found at depth of about 5,000 meters, which is considered moderately deep, but Dmitrievsky said the existing technology allows its extraction with mild difficulties.

In any case, the exploration company has to finish all the geological studies before it can start drilling on the site, the Energy Ministry said in a statement.

Velikoye oil field was first discovered in 2012 and was said to contain estimated reserves of about 40 million tons of oil. A year later AFB geologists estimated that the deposit may contain 140 million tons of oil and 40 billion cubic meters of gas.

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