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Eurasia Drilling Buys Assets

By The Moscow Times

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Eurasia Drilling, a London-listed oil field services company, agreed to buy drilling assets from TNK-BP and Gazprom Neft's Slavneft unit for $150 million to increase its share of the Russian market.

Eurasia plans to close the transaction with Slavneft by the middle of the year, the drilling company said Monday in a regulatory filing. It has also begun talks on a contract to provide Slavneft with five years of services, according to the statement.

Investment spending may reach $1 billion this year, according to Kim Kruschwitz, Eurasia's head of investor relations. The company started the year with about $600 million on its balance sheet, including a $250 million loan from Russia's Alfa Bank, Kruschwitz said by telephone.

The price was attractive for Eurasia when compared with Weatherford International's $489 million purchase of TNK-BP's drilling assets in 2009, Olga Danilenko, an oil and gas analyst at VTB Capital, said by telephone Monday. TNK-BP's drilling arm was about twice the size

of that belonging to Slavneft, she said.

Eurasia, formed from the drilling assets of LUKoil, aims to diversify its customer base away from Russia's second-largest oil producer. The company claimed a 24 percent share of the country's drilling market in terms of meters drilled last year.

Eurasia also concluded a deal to buy the Trident XX jack-up rig for $260 million from Transocean, the company said Monday. The rig is currently under contract to Petroliam Nasional's Turkmen unit, Petronas Carigali, for Caspian Sea drilling through 2012, according to a regulatory statement.

Plans to acquire Schlumberger's Russian drilling assets, Slavneft's assets and the Transocean rig will result in total investment of about $600 million, Kruschwitz said. The company has earmarked an additional $250 million on its own fleet and another $80 million on a jack-up rig for the Caspian Sea that's currently under construction in Sharjah, he said.

The acquisitions of Slavneft and Schlumberger assets will lift Eurasia's market share in Russia to the mid-30 percent range, Kruschwitz said. Slavneft will add about 6 percent and Schlumberger 4 percent, he said.

The company may borrow more money this year, potentially tapping the bond market, Kruschwitz said.

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