The Moscow Times
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Exxon and Russia's Rosneft Find Oil at Sanctions-Struck Arctic Deposit

By The Moscow Times

September 28, 2014



Rosneft announced that it has discovered oil in its Arctic joint project with Exxon Mobil.

Russia's top crude oil producer Rosneft said Saturday that it had made an oil discovery jointly with ExxonMobil at an offshore Arctic field, which has been at the center of controversy due to Western sanction against Moscow.

But further progress at the site is likely to be problematic as international oil majors have to wind down work in Russia due to Western sanctions following the Ukraine crisis.

Rosneft and its head Igor Sechin were among the targets of the sanctions, imposed over Moscow's role in the Ukrainian conflict, which has claimed the lives of more than 3,000 people.

The sanctions, introduced by the United States and European Union, effectively freeze access by Russian companies to foreign technology and ban Western companies from cooperating

in the Arctic, as well as in shale exploration and deep-water drilling.

Rosneft said Saturday that it and ExxonMobil had successfully completed drilling of the Universitetskaya-1 well, the most northerly well in the world, located in the East-Prinovozemelskiy-1 license area in the Kara Sea oil province, where oil reserves are estimated to be comparable to those of Saudi Arabia.

"The first oil was extracted. It is an astonishing sample of light oil, which based on the results of the analysis performed, is comparable to Siberian Light oil," Sechin said in a statement on Rosneft's website. He said Rosneft would like to call the discovered field "Pobeda," Russian for victory.

But it was not yet clear whether commercially viable quantities of oil could be recovered from the well. Rosneft said data from the well will be analyzed and only then could a conclusion be reached on the reserves there.

Short Extension

Exxon and Rosneft signed a $3.2 billion agreement in 2011 to develop the region.

Exxon said last week that the U.S. Treasury Department had given it a short extension to wind down a rig at the well, beyond the 14 days outlined in the sanctions targeting Western cooperation in Russia's oil sector.

Russia is one of the world's top crude producers and the biggest supplier to Europe, but its reservoirs are in decline and it must look to new sources to retain its positions. Large-scale offshore oil production in Arctic is not expected before the middle of the next decade.

Before sanctions, Rosneft had planned to tap other parts of the offshore Arctic, key for the future oil production in Russia, jointly with Exxon. A Rosneft spokesman declined to comment on whether those projects will go ahead in the light of sanctions.

The prospect of sanctions on Russia has been a big issue for Exxon this year. It spent $6 million on lobbying the U.S. government in the first half of 2014 and listed Russian sanctions as one of its lobbying issues, according to disclosures filed to the U.S. Senate.

Exxon also paid about another $170,000 to four outside firms for lobbying in the second quarter, largely tied to Russian sanctions, the disclosures show.

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