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**Рейтер - Новости на Русском Языке**

**КИТАЙ ПОЛНОСТЬЮ РАСПЛАТИЛСЯ С РФ ЗА ПОСТАВКИ НЕФТИ ПО ВСТО.**

Китай полностью расплатился с Россией за поставки нефти по трубопроводу Восточная Сибирь - Тихий океан (ВСТО), сказал глава Роснефти Эдуард Худайнатов журналистам в пятницу.

"Китайская сторона полностью расплатилась за поставку нефти... Все недоразумения, которые у нас были с китайскими партнерами, сняты", - сказал Худайнатов.

В конце марта Москва и Пекин вступили в спор относительно цены на нефть, поставляемой в Китай с начала текущего года.

Камнем преткновения в этом споре стал тариф на транспортировку - китайская сторона сочла, что Россия не предоставила обусловленную контрактом льготу. В конце мая Китай частично вернул долг России.

В 2009 году Банк развития Китая выдал России кредит в размере \$25 миллиардов. Роснефть получила из этой суммы \$15 миллиардов, Транснефть - \$10 миллиардов. Кредит был выдан под обязательства поставки 300 миллионов тонн российской нефти по льготной цене в течение примерно 20 лет по ответвлению от ВСТО.

Поставки нефти в Китай по этому маршруту начались с 1 января 2011 года.

*(Рейтер - Новости на Русском Языке, 13.06)*

**РОСНЕФТЬ СОГЛАСНА НА СОКРАЩЕНИЕ ДОЛИ РФ НИЖЕ КОНТРОЛЬНОЙ.**

Государственная Роснефть согласна на сокращение доли государства в ее капитале до уровня ниже контрольного, если это будет выгодно РФ, сказал журналистам глава Роснефти Эдуард Худайнатов.

"Если это принесет доходы акционерам и государству, это просто отлично", - сказал он в ответ на вопрос о такой перспективе.

В конце прошлого года российские власти решили до 2015 года продать 15 процентов крупнейшей нефтяной компании на свободном рынке, а еще 10 процентов минус одну акцию - обменять на активы инвесторов при условии повышения капитализации компании.

Накануне президент РФ Дмитрий Медведев призвал правительство подумать о возможности увеличить приватизационные пакеты Роснефти, а также Русгидро и двух крупных госбанков - ВТБ и Россельхозбанка, рассмотрев возможность отказа от контроля в них.

*(Рейтер - Новости на Русском Языке, 13.06)*

### **РОСНЕФТЬ НЕ ПЛАНИРУЕТ ВТОРИЧНОГО РАЗМЕЩЕНИЯ АКЦИЙ.**

Государственная Роснефть, пакет акций которой включен в план масштабной приватизации, не планирует размещать на рынках дополнительные акции, сказал журналистам глава компании Эдуард Худайнатов.

"Мы будем ждать жестких директив (о приватизации), но не планируем вторичного размещения", - сказал он в ответ на вопрос о возможности вторичного размещения.

РФ планирует продать до 15 процентов Роснефти из своих чуть более 75 процентов компании к 2015 году в рамках масштабной распродажи госактивов.

*(Рейтер - Новости на Русском Языке, 13.06)*

### **РОСНЕФТЬ ПОДТВЕРДИЛА НАМЕРЕНИЕ CHEVRON ВЫЙТИ ИЗ ШЕЛЬФОВОГО ПРОЕКТА.**

Американский Chevron, вероятнее всего, выйдет из совместного с российской Роснефтью проекта на Черном море по разработке месторождения Вал Шатского, сказал журналистам глава Роснефти Эдуард Худайнатов.

"Очевидно, выйдет. Но Chevron остался нашим партнером, хочет продолжать работать по нашим шельфовым проектам с нами", - сказал глава государственной Роснефти.

Источники в компаниях сообщили о возможности выхода американского партнера из черноморского проекта стоимостью около триллиона рублей еще в конце марта, объяснив это решение недостаточным объемом запасов на месторождении для коммерческой добычи.

В мае Роснефть объявила о разрыве другого альянса - с британской BP, вместе с которой российский нефтяной гигант планировал осваивать арктический шельф [ID:nERS838825].

Тогда Chevron был назван в числе компаний, которые могут заменить несостоявшегося арктического партнера Роснефти.

#### **ИСТОРИЯ ПРОЕКТА**

Chevron и Роснефть подписали соглашение о совместном освоении Западно-Черноморского участка шельфа с перспективными ресурсами 4,6 миллиарда баррелей нефти в середине прошлого года.

Тогда компании объявили, что их общие инвестиции в разведку участка составят \$1 миллиард, а вложения в разработку проекта, если он будет продолжен, оценивались в сумму до 1 триллиона рублей.

Лицензия на Западно-Черноморский участок принадлежит компании Вал Шатского, которая досталась Роснефти в 2007 году во время распродажи активов опального ЮКОСа.

В январе Роснефть договорилась о совместном освоении соседнего участка шельфа Черного моря с другой американской компанией - ExxonMobil, в разработку которого американский гигант также пообещал вложить \$1 миллиард.

*(Рейтер - Новости на Русском Языке, 13.06)*

**ГЛАВОЙ СД РОСНЕФТИ СТАЛ АЛЕКСАНДР НЕКИПЕЛОВ.** Совет директоров крупнейшей нефтяной компании РФ - государственной Роснефти возглавил независимый исполнительный директор компании Александр Некипелов.

Некипелов исполнял обязанности главы совета директоров с апреля, когда этот пост покинул вице-премьер РФ Игорь Сечин, откликнувшись на призыв президента РФ Дмитрия Медведева заменить независимыми директорами высокопоставленных чиновников в советах директоров госкомпаний.

"Некипелов был единогласно избран председателем совета директоров", - сказал журналистам глава компании Эдуард Худайнатов по итогам годового собрания акционеров Роснефти.

*(Рейтер - Новости на Русском Языке, 13.06)*

### **РОСНЕФТЬ ОЖИДАЕТ УВЕЛИЧЕНИЯ СТОИМОСТИ КОМПАНИИ ДО \$100 МЛРД.**

Ведущий российский нефтедобытчик - Роснефть в ближайшие годы ожидает увеличения стоимости компании до \$100 миллиардов, сообщил президент госкомпании Эдуард Худайнатов на годовом собрании акционеров в пятницу.

"По нашим оценкам, успешная реализация инициатив в среднесрочной перспективе значительно увеличит капитализацию компании и может создать до 100 миллиардов дополнительной стоимости в ближайшие годы", - сказал Худайнатов.

По оценке аналитиков, сейчас капитализация Роснефти составляет около \$80 миллиардов.

*(Рейтер - Новости на Русском Языке, 13.06)*

**ИНВЕСТИЦИИ РОСНЕФТИ В 11 Г СОСТАВЯТ 507,1 МЛРД Р.** Инвестиции крупнейшей нефтяной компании РФ - государственной Роснефти - составят в текущем году 507,1 миллиарда рублей, сказал на собрании акционеров вице-президент компании Павел Федоров.

"В текущем году 507,1 миллиарда рублей будет направлено на инвестиции", - сказал он.

В феврале компания сообщала, что общие капзатраты, не включающие расходы на трубопровод к Туапсинскому НПЗ, в 2011 году составят около \$11 миллиардов

По данным отчетности компании, в 2010 году капзатраты Роснефти составили \$8,9 миллиарда.

*(Рейтер - Новости на Русском Языке, 13.06)*

## **Reuters News**

**ROSNEFT MARKET CAP TO REACH \$100 BLN – CEO.** The market capitalisation of Russia's largest oil company, state controlled Rosneft, will reach \$100 billion in the next few years, chief executive Eduard Khudainatov said on Friday.

Khudainatov was speaking at Rosneft's annual shareholders meeting, which was due to elect a new chairman to replace Deputy Prime Minister Igor Sechin.

Sechin resigned to comply with an order by President Dmitry Medvedev to ministers to give up powerful board posts at large state-controlled companies.

(Reporting by Denis Pinchuk, Writing by Douglas Busvine; Editing by Alfred Kueppers)

*(Reuters News, 10.06)*

**ROSNEFT SEES 2011 CAPEX AT 507 BLN ROUBLES – VP.** State-controlled Russian oil firm Rosneft sees capital expenditures at 507.1 billion roubles (\$18.3 billion) this year, Vice-President Pavel Fyodorov said at the annual shareholders meeting.

"This year 507.1 billion roubles will be directed towards investment," he said.

The 2011 projection would be roughly double last year's capex of \$8.9 billion.

*(Reuters News, 10.06)*

**UPDATE 2-ROSNEFT'S STAR DIMS AS SECHIN BOWS OUT.** \* Economist Alexander Nekipelov stays on as chairman

\* Rosneft says Chevron likely to quit Black Sea deal

\* Rosneft still aims to expand in Europe (Adds Chevron statement paragraphs 17-18)

By Denis Pinchuk

KRASNODAR, Russia, June 10 (Reuters) - Russia's Rosneft (ROSN.MM: Quote, Profile, Research, Stock Buzz) lost its powerful patron on Friday when Deputy Prime Minister Igor Sechin gave up his seat on the board and another big foreign deal looked set to slip away.

Sechin did not attend the state company's annual meeting in southern Russia, as his board seat was taken over by another government appointee.

A month earlier, a landmark Arctic drilling and share swap deal with British major BP Plc (BP.L: Quote, Profile, Research, Stock Buzz), brokered by Sechin, fell apart after a successful court challenge from BP's existing partners in Russia, the tycoons who co-own TNK-BP (TNBP.MM: Quote, Profile, Research, Stock Buzz).

Economist Alexander Nekipelov, vice president of the Russian Academy of Sciences who took over the chairmanship when Sechin gave it up in April, will stay on, the new board decided.

"I would prefer that (Sechin's departure) had no effect on the company," Nekipelov told a news conference after the meeting.

"But Igor Ivanovich (Sechin) played an enormous role in the company's development. He has enormous authority with investors. His departure creates certain risks for the company and it coincided with a fall in the company's share price."

President Dmitry Medvedev had ordered the government of Prime Minister Vladimir Putin to clear state company boards of senior government officials who are in charge of regulating the same sectors.

Sechin's seat was taken by Sergei Shishin, a mid-ranking executive at state bank VTB (VTBR.MM: Quote, Profile, Research, Stock Buzz) whose early career was in the security services, like Putin's, Russian media have reported.

Despite its weakened state, some investment banks say Rosneft shares are a good deal, especially compared with some other Russian energy companies, whose production is stagnant or whose fiscal position is likely to weaken in an upcoming tax reform.

Rosneft shares dipped after Sechin's departure was announced at the end of March, but have since risen nearly 5 percent, and have outperformed their nearest Russian peer, LUKOIL (LKOH.MM: Quote, Profile, Research, Stock Buzz), by nearly 20 percent.

#### REDUCED AMBITIONS

Rosneft Chief Executive Eduard Khudainatov reiterated his target of doubling the company's capitalisation in five years.

He said Rosneft was still looking at buying petrol station networks in German cities of 1 million people or more to complement its purchase of a stake in the Ruhr Oehl refineries.

Sechin has been criticised by Medvedev, who suggested the BP deal fell apart because BP's commitments to its TNK-BP partners were not fully investigated beforehand. [ID:nLDE74H0R5]

At the annual meeting on Friday, Khudainatov also said his company was about to lose another foreign deal heralded as the start of a new era in energy investment in Russia, a \$1 billion Black Sea project with Chevron Corp (CVX.N: Quote, Profile, Research, Stock Buzz).

The deal was closed nearly one year ago, in June 2010.

"It's obvious that they will exit," Khudainatov told the news conference. "But Chevron will remain our partner and wants to continue working on offshore projects with us," he said.

The San Ramon, California-based oil company offered no further details.

"Chevron continues to work closely with Rosneft on opportunities to collaborate in business ventures," the company said in a statement on Friday. "As per our long-standing policy, we do not discuss ongoing business negotiations." (Reporting by Denis Pinchuk, with additional reporting by Braden Reddall in San Francisco; Writing by Melissa Akin; Editing by Erica Bilingham, Dave Zimmerman)

"We haven't left anything unsaid. All misunderstandings that have arisen have been ironed out. The Chinese side has settled with us in full," he said.

*(Reuters, 10.06)*

**CHEVRON TO QUIT ROSNEFT BLACK SEA PROJECT-ROSNEFT.** U.S. oil major Chevron is likely to quit a \$1 billion drilling project with Rosneft off Russia's Black Sea coast, Rosneft chief executive Eduard Khudainatov said on Friday.

"It's obvious that they will exit," Khudainatov told a news conference after the company's annual meeting.

"But Chevron will remain our partner and wants to continue working on offshore projects with us," he said.

(Reporting by Denis Pinchuk; writing by Melissa Akin; editing by John Bowker)

*(Reuters, 10.06)*

## **Dow Jones International News**

**UPDATE: ROSNEFT CEO: NOT CONSIDERING BP AS PARTNER FOR KARA SEA PROJECT.** OAO Rosneft's (ROSN.RS) chief executive said Friday that U.S. oil major Chevron Corp. (CVX) has pulled out of a joint project to develop the Val Shatsky block in the Black Sea, dealing another blow to the Russian state-controlled oil company's ambitions to move offshore.

Chevron's exit from the Black Sea project comes just a month after Rosneft failed to close a deal with U.K. oil major BP PLC (BP, BP.LN) to develop three Arctic fields north of Russia--a deal that was blocked by BP's Russian partners in the TNK-BP joint venture.

Despite a lack of offshore experience, Rosneft has signed a string of deals with international energy majors in the past year, in an ambitious push to move offshore as output from traditional production regions in West Siberia is dwindling.

Chevron teamed up with Rosneft last summer, agreeing to pay for initial exploration of the Val Shatsky ridge in the Black Sea that contains more than 6 billion barrels of oil.

Friday, however, Rosneft Chief Executive Eduard Khudainatov said there had been "some disagreements" with Chevron over the Black Sea project and that the company is now looking for new partners for the project.

When asked whether Rosneft will develop the Val Shatsky block in the Black sea together with Chevron, Khudainatov said: "Obviously not."

"Chevron still wants to work with us on offshore projects. Now we're considering where we will work [together]," he said.

A Chevron spokesman said the company "continues to work closely with Rosneft on opportunities to collaborate in business ventures," but declined to comment on the Black Sea project.

Already in March, Chevron said "certain issues" had appeared with Rosneft over the Black Sea project, mainly over the geological exploration of the deposit.

Last year, French energy major Total SA (TOT, FP.FR) bid for the Val Shatsky field in the Black Sea, which Chevron eventually won.

-By Jacob Gronholt-Pedersen, Dow Jones Newswires; +7 495 232 9197; jacob.pedersen@dowjones.com

*(Dow Jones Business News, 10.06)*

**ROSNEFT FORECASTS 2011 CAPEX AT RUB507 BILLION.** Russian state-controlled oil producer OAO Rosneft (ROSN.RS) plans capital spending to total 507.1 billion rubles (\$18.2 billion) this year, the company's Chief Financial Officer Pavel Fedorov said Friday.

The projection is slightly more than double last year's capex of \$8.9 billion.

*(Dow Jones Business News, 10.06)*

**ROSNEFT CEO: NO LEGAL ACTION AGAINST BP OVER FAILED ARCTIC DEAL.** Rosneft (ROSN.RS) isn't planning any legal action against BP PLC (BP.LN) over the failed Arctic

exploration deal between the two companies, the Russian oil company's chief executive, Eduard Khudainatov, said Friday.

"We don't have reason to take anyone to court," Khudainatov said when asked if Rosneft would take legal action against BP for failing to finalize a planned \$16 billion share swap and Arctic exploration agreed in January.

BP's partners in the TNK-BP Ltd. joint venture had the deal blocked in courts, because it violated the TNK-BP shareholder agreement.

Rosneft's former chairman Igor Sechin, who is also deputy prime minister, had earlier threatened to hold BP responsible if the deal wouldn't materialize.

*(Dow Jones Business News, 10.06)*

**ROSNEFT CEO: NO PLANS TO SELL MORE SHARES ON MARKET.** State-owned oil company Rosneft (ROSN.RS) is not planning on a secondary share sale, company chief executive Eduard Khudainatov said Friday.

Khudainatov also said that all supply and pricing problems with China were solved, with Beijing paying in full for supplies.

*(Dow Jones Business News, 10.06)*

**ROSNEFT CEO SEES RAISING VANCOR OUTPUT TO 500,000 B/D IN 2013.** Russian state-controlled oil producer OAO Rosneft (ROSN.RS) plans to increase output at its huge Vankor field in East Siberia to 25 million metric tons a year, or 500,000 barrels a day, in 2013, the company's Chief Executive Eduard Khudainatov said Friday.

Rosneft said in April that the production at the Vankor field, which was launched in 2009, will average 300,000 barrels a day this year.

*(Dow Jones Business News, 10.06)*

**ROSNEFT CHAIRMAN: SECHIN'S EXIT CREATES "CERTAIN RISKS" FOR CO.** The exit of Deputy Prime minister Igor Sechin from the board of Rosneft (ROSN.RS) may create risks for the company, its chairman, Alexander Nekipelov, said Friday.

"(Sechin) played an enormous role in development of Rosneft," Nekipelov said. "Therefore, his exit does create certain risks for the company."

In a bid to improve the country's investment climate, Russian President Dmitry Medvedev in March ordered government officials to quit the boards of state-owned companies.

*(Dow Jones Business News, 10.06)*

**ROSNEFT CEO: NO NEW PROPOSALS FROM BP.** Russian state oil producer OAO Rosneft (ROSN.RS) is no longer considering BP PLC (BP) as a partner for an Arctic development project and has received no new proposals from the U.K. oil major, the company's chief executive, Eduard Khudainatov, said Friday.

"We have received no new proposals from BP," Khudainatov said.

The two companies agreed in January to a \$16 billion share swap and joint development of three licenses in the Kara Sea north of Russia. However, that deal was blocked by BP's Russian partners in the TNK-BP Ltd. joint venture, who said the deal contradicted the TNK-BP shareholder agreement.

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*(Dow Jones Business News, 10.06)*

**ROSNEFT NOT MULLING BP AS PARTNER FOR KARA PROJECT.** Russian state oil producer OAO Rosneft (ROSN.RS) no longer considers BP PLC (BP) a partner for a closely-watched Arctic development project and has received no new proposals from the U.K. oil major, the company's chief executive, Eduard Khudainatov, said Friday.

"We very much wanted BP as our partner (...) but that didn't work out," Khudainatov said. "We no longer consider them as partner on the Arctic shelf."

The two companies agreed in January to a \$16 billion share swap and joint development of three licenses in the Kara Sea north of Russia. However, that deal was blocked by BP's Russian partners in the TNK-BP Ltd. joint venture, who said the deal contradicted the TNK-BP shareholder agreement.

"We have received no new proposals from BP," Khudainatov said.

*(Dow Jones Business News, 10.06)*

## AGENCE FRANCE PRESSE

**CHEVRON DEAL IN RUSSIA NEAR COLLAPSE: ROSNEFT.** Russia's state oil firm Rosneft said Friday it will likely have to break its Black Sea alliance with the US oil giant Chevron over energy estimate disagreements.

Asked by reporters if the project with Chevron would continue, Rosneft chief executive Eduard Khudainatov said "apparently not".

"We had a normal argument between partners. We had a categorical disagreement with Chevron's geologists," he added.

Rosneft's Shatsky Ridge unit, also known in Russian as Val Shatskogo, holds a license to explore the West Chernomorsky oil field.

Analysts have viewed the field as one of Rosneft's most difficult and risky projects because the oil's quantity remains under dispute while its deep location makes access expensive.

The eastern Black Sea oil block used to belong to the now defunct oil giant Yukos and was one of the assets swooped up by Rosneft after the arrest of Yukos founder Mikhail Khodorkovsky.

Khudainatov did not specify the precise nature of the disagreement with Chevron.

Chevron said in a brief statement that it "continues to work closely with Rosneft on opportunities to collaborate in business ventures" but did not refer directly to the Rosneft chief's comments.

"As per our long-standing policy, we do not discuss ongoing business negotiations," Chevron said in a statement provided to AFP.

The deal was signed in June 2010 and was hailed and was one of the potentially biggest energy deals in Russian history.

Russian officials at the time said the companies would each invest one billion dollars in initial exploration.

Initial success would have resulted in a total joint investment of some \$32 billion dollars.

Khudainatov said the deal's seeming demise did not mean an end to Chevron's work in Russia.

"Chevron remains our partner. We work closely together," the Rosneft chief said.

"Chevron wants to continue working on shelf projects with us," he added in apparent reference to joint Arctic oil development work.

*(Agence France Presse, 11.06)*

**RUSSIA'S ROSNEFT LOOKS TO FUTURE AFTER BP.** Russia's state oil giant Rosneft charted a global future without BP on Friday after the British firm pronounced their much-maligned alliance effectively dead.

"Rosneft will be placing a special emphasis on creating partnerships with international energy industry leaders," chief executive Eduard Khudainatov told shareholders at its annual meeting.

"Today, with the company expanding to new horizons, we are giving strategic cooperation with international clients much greater weight," the Rosneft chief said.

Rosneft shot up from the ruins of the jailed Mikhail Khodorkovsky's Yukos and controls about one-fifth of Russia's oil production as well as some of the world's most coveted reserves.

It formally pinned its future in January to a \$16-billion (11-billion-euro) share swap that would have made BP into the first Western oil major to tap the vast Arctic fields.

A source close to Rosneft said the company thought it had struck a "visionary" partnership that would have seen the two giants lord over nearly half of the world's oil production within the next 20 years.

But Khudainatov said Rosneft "no longer sees" BP as an Arctic partner.

"Rosneft, and this was clear and obvious to everyone, really wanted to partner with BP. You saw it in our actions. But, unfortunately, BP was unable to complete this deal," Khudainatov told reporters.

"We have had no other offers from BP and we are holding no discussions," he said.

The deal collapsed in May over protests by BP's Russian partners in its local joint venture and the subsequent failure of efforts to buy out the unhappy shareholders.

BP chief Bob Dudley said earlier in the week he thought the deal was effectively dead and it was time for his firm to be "moving on".

"We are also moving on," the Rosneft source told AFP. "We are opening our doors to everyone. We are saying welcome."

Spelling the end of another international cooperation deal, Khudainatov said Rosneft will likely have to break its Black Sea alliance with the US oil giant Chevron, signed in June 2010, over energy estimate disagreements.

"We had a normal argument between partners. We had a categorical disagreement with Chevron's geologists," he said of the deal on the Shatsky Ridge.

Rosneft has already held talks with the visiting head of the Anglo-Dutch firm Royal Dutch Shell and is fielding other offers from companies that can offer the technology and expertise to reach and market the oil.

The source said Rosneft was also conducting "ongoing and detailed negotiations" with ExxonMobil of the United States while Khudainatov mentioned interest from Norway's Statoil.

But Shell has already said it was not discussing a cross-holding and the Rosneft source said ExxonMobil was also unwilling to exchange shares with the Kremlin-controlled firm.

BP had reportedly agreed to swap shares after coming pressure from the Russian government and the Rosneft source said a cross-holding was vital to any new agreement.

BP is a bruised veteran of Russian energy negotiations and analysts have refused to rule out their potential involvement until the new agreement is signed.

But Russia's energy tsar and outgoing Rosneft chairman Igor Sechin said BP would have to "improve the effectiveness of its offer" significantly to deal with Rosneft again.

Analysts suggest that Russia's new Arctic partner will likely be forged with whichever company is ready to assume the political risk at home of forging a cross-holding with a Kremlin-controlled firm.

Yet Khudainatov also raised the option of forging a massive multinational alliance to assume the enormous expense and risk of pioneering Arctic oil exploration.

"We will see -- there can be three partners or four," Khudainatov told reporters. "These large projects involve huge risks and major investments."

A quick start to Arctic development is imperative for Russia's oil champion because it could theoretically be stripped of the licences for failing to produce enough oil under existing legal obligations.

The source close to Rosneft said the company's current development of the Arctic was going "on schedule" but provided no details about when actual production might start.

*(Agence France Presse, 10.06)*

## BLOOMBERG

**CHEVRON DEAL IN RUSSIA NEAR COLLAPSE.** Chevron Corp. is interested in working with OAO Rosneft, Russia's biggest oil producer, to explore for Arctic resources and it may exit a Black Sea venture, the head of the Moscow-based company said.

Chevron will probably pull out of the West Chernomorsky project in the Black Sea because of disagreements about the area's potential, Rosneft chief executive Eduard Khudainatov told reporters Friday in Krasnodar, southern Russia. The companies signed an exploration accord a year ago.

"Our geologists categorically disagree," Khudainatov said of the West Chernomorsky project. Chevron believed the block, held by Rosneft's Val Shatskogo unit, has the same characteristics as an area in Turkey's Black Sea waters where it drilled a dry well, Khudainatov said.

Rosneft's plans to tap international technology and experience to develop offshore fields have gotten off to a shaky start. A deal to swap \$7.8 billion stakes with BP and explore the Arctic Kara Sea collapsed amid a challenge from the U.K. producer's billionaire partners in a Russian venture.

"Chevron continues to work closely with Rosneft on opportunities to collaborate in business ventures," Kurt Glaubitz, a spokesman for the San Ramon, Calif.-based company, said in an e-mailed message. "We do not discuss ongoing business negotiations."

Rosneft may consider new partners for the Black Sea project, Khudainatov said.

The accord called for Chevron to invest an initial \$1 billion to drill wells in West Chernomorsky.

"Lukoil has experience in the Caspian and the Baltic Seas," he said, referring to Russia's second-largest oil producer. "There may be three partners, or four, let's see."

*(Bloomberg News, 11.06)*

**ROSNEFT MARKET CAP TO REACH \$100B: CEO.** The market capitalisation of Russia's largest oil company, state controlled Rosneft, will reach \$100 billion in the next few years, chief executive Eduard Khudainatov said Friday.

Khudainatov was speaking at Rosneft's annual shareholders meeting, which was due to elect a new chairman to replace Deputy Prime Minister Igor Sechin.

Sechin resigned to comply with an order by President Dmitry Medvedev to ministers to give up powerful board posts at large state-controlled companies. Published by HT Syndication with permission from The Financial Express.

*(Bloomberg News, 11.06)*

**ROSNEFT SAYS CHEVRON SEEKS ARCTIC, MAY EXIT BLACK SEA FIELD.** By Stephen Bierman and Anna Shiryayevskaya -

Chevron Corp. (CVX) is interested in working with OAO Rosneft, Russia's biggest oil producer, to explore for Arctic resources and it may exit a Black Sea venture, the head of the Moscow-based company said.

Chevron will probably pull out of the West Chernomorsky project in the Black Sea because of disagreements about the area's potential, Rosneft Chief Executive Officer Eduard Khudainatov told reporters today in Krasnodar, southern Russia. The companies signed an exploration accord a year ago.

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Rosneft's plans to tap international technology and experience to develop offshore fields have gotten off to a shaky start. A deal to swap \$7.8 billion stakes with BP Plc and explore the Arctic Kara Sea collapsed amid a challenge from the U.K. producer's billionaire partners in a Russian venture.

"Chevron continues to work closely with Rosneft on opportunities to collaborate in business ventures," Kurt Glaubitz, a spokesman for the San Ramon, California-based company, said in an e-mailed message. "We do not discuss ongoing business negotiations."

Rosneft may consider new partners for the Black Sea project, Khudainatov said. Lukoil Partner?

The accord called for Chevron to invest an initial \$1 billion to drill wells in West Chernomorsky. A final agreement on the venture wasn't signed.

"Lukoil has experience in the Caspian and the Baltic Seas," he said, referring to Russia's second-largest oil producer. "There may be three partners, or four, let's see."

Rosneft and Chevron are looking to work together on offshore projects, Khudainatov said. Chevron is interested in resources in the Laptev Sea, in Russia's eastern Arctic, he said. Laptev is less explored than the Pechora and Barents seas to the west, according to the government.

*(Bloomberg, 10.06)*

## PLATTS

**ROSNEFT SAYS NO NEW TALKS ON COOPERATION WITH BP IN RUSSIAN ARCTIC.** Rosneft and BP are no longer discuss possible cooperation in the Arctic, after the companies' original cooperation deal fell through last month, Rosneft President Eduard Khudainatov said Friday.

"No other offers from BP have been received and we are not conducting the talks on the issue," Khudainatov told reporters after the company's annual shareholders meeting.

The two companies previously indicated they intend to continue discussion on the issue despite the deal's failure.

After BP missed deadline for the deal's completion on May 16, Rosneft said it had "received proposals that are beyond the framework of the agreements earlier reached with BP."

The company's spokesman at the time elaborated that new proposals from BP were "more global" and were not limited to the three blocks the companies discussed previously.

On Wednesday, BP Chairman Carl-Henric Svanberg did not rule out BP may still partner with Rosneft. "We obviously are still the favourite partner for Rosneft," Svanberg then told reporters in London.

"In some form or another, I think something will happen," he said, referring to upstream cooperation with Rosneft.

BP was forced to abandon its planned mega-deal with Rosneft, which included a \$16 billion share swap and an Arctic exploration pact, after failing to win the backing of the co-owners in its Russian venture TNK-BP, the consortium Alfa-Access-Renova (AAR).

AAR effectively blocked the deal in international courts, claiming that the planned partnership would contravene a shareholder agreement under which BP is to seek new opportunities in Russia through TNK-BP.

"Rosneft, you saw, really wanted to partner with BP, and it was clear by our actions and the way we extended the term for the agreement. Unfortunately BP couldn't work it out...," Khudainatov said Friday in Krasnodar.

"In the interest of our shareholders, we didn't prolong the term for a second time," he reiterated.

Khudainatov ruled out that Rosneft would sue BP for the failure to complete the deal.

"We have no grounds to file a lawsuit," he said.

Russian Deputy Prime Minister Igor Sechin, who also was Rosneft's board chairman until April, reiterated in May that the Russian company was considering the possibility of seeking

compensation for lost opportunities following the breakdown of the planned deal. "I think if the company's lawyers confirm the legal prospects [of such a lawsuit], this will be fulfilled," Sechin was quoted as saying by local media in May.

Rosneft has said it will choose new partners for its projects in the Arctic, with a number of international majors -- including Shell, ExxonMobil, Chevron as well as Chinese and Indian companies -- were said to have made proposals for joint development of Arctic reserves.

Earlier Friday, Rosneft Vice President Peter O'Brien was quoted as saying in Moscow by local media that the company would like to decide on new partners by the end of the year. Sechin didn't rule out earlier that the decision may come as soon as in June.

Jake Rudnitsky, [jake\\_rudnitsky@platts.com](mailto:jake_rudnitsky@platts.com),

Nadia Rodova, [nadia\\_rodova@platts.com](mailto:nadia_rodova@platts.com)

*(Platts Commodity News, 10.06)*

#### **UPDATE: RUSSIA'S ROSNEFT AIMS TO ADD \$100 BIL TO ITS MARKET VALUE.**

Russia's biggest oil producer Rosneft believes it can add up to \$100 billion in market capitalization within 3-5 years with the successful introduction of several strategic initiatives to improve the company's efficiency, company president Eduard Khudainatov said Friday.

Rosneft's strategic priorities include introducing advanced business models, stable and profitable growth in oil and gas output, the successful modernization of oil refineries, and increasing the effectiveness of oil and oil product sales, Khudainatov told the company's annual shareholders' meeting in the city of Krasnodar in southern Russia.

"The successful introduction of these initiatives could create up to \$100 billion in additional value to shareholders, raising the company's real capitalization on the market," Khudainatov said, without giving a timeframe.

"If we have the success in the Arctic that we expect, that alone will be an impressive stimulation for our share price," Khudainatov told reporters later in the day.

Rosneft shares were trading at Rb250.47/share at Russia's MICEX exchange by 0830 GMT, which puts the company's current market value at around Rb2.65 trillion (\$95 billion).

Rosneft believes it is seriously under-capitalized now, as are many other Russian companies in the oil sector, and is aiming at boosting its market value in coming years.

Rosneft's hydrocarbons reserves stood at 22.765 billion barrels of oil equivalent at the end of 2010, under PRMS standards. The hydrocarbon reserve life is 25 years, including 21 years for oil and 67 years for gas, given the current production level.

The company plans to raise crude oil production to 121 million mt (2.42 million b/d) in 2011, up 4.3% from 2.32 million b/d in 2010, Khudainatov told the AGM, confirming the previously announced target.

In the downstream, it is currently undergoing a major modernization program at all its refineries and expect to increase refining volumes to 58 million mt/year by 2015, when the modernization is to be completed, from 50 million mt/year now.

The share of light products will grow from 56% to 78% at Euro 5 standards by 2015, Khudainatov said at the AGM.

#### **NEW BOARD CHAIRMAN**

Separately, Rosneft's board of directors have unanimously elected academic Alexander Nekipelov as the chairman of the board, Khudainatov told reporters after the AGM.

Nekipelov is a vice president of Russia's Academy of Science.

He was elected as acting chairman of Rosneft board in April, when then chairman Igor Sechin, who is also Russia's Deputy Prime Minister supervising the oil sector, stepped down.

The change in the board came after Russian President Dmitry Medvedev in late March ordered the removal of ministers, who supervise certain industries, from the board of companies in those spheres.

The move is designed to eliminate "excessive influence" of state-run companies on the country's investment climate. This was one of many measures announced by Medvedev in March to improve the investment environment.

Jake Rudnitsky, [jake\\_rudnitsky@platts.com](mailto:jake_rudnitsky@platts.com)

*(Platts Commodity News, 10.06)*

**CHEVRON QUILTS RUSSIAN BLACK SEA PROJECT: ROSNEFT CEO.** Chevron has quit an offshore project in the Russian Black Sea which it was exploring jointly with Russia's Rosneft, the CEO of the Russian company, Eduard Khudainatov, told reporters Friday.

When asked if Chevron is to continue work at the Val Shatskogo field, Khudainatov said: "Obviously not."

But Chevron is still interested in other offshore projects with Rosneft, including in the Laptev Sea in the Arctic, Khudainatov told reporters.

"We have categorical disagreement between our and Chevron's geologists [about the reserves at Val Shatskogo]," he said.

Rosneft geologists are confident that the Black Sea project has commercial reserves and Rosneft is talking with other partners, both foreign and Russian, on the joint work at the project, Khudainatov said.

Russian Lukoil is interested in participating in the development, and has relevant experience in the Caspian Sea, he added.

Khudainatov said that Chevron had drilled a dry well off the Turkish coast on the Black Sea and that this had made them hesitant to continue to work in the area.

Rosneft and Chevron agreed to develop jointly the Val Shatskogo block in the Black Sea in June 2010. The agreement provided for Chevron to finance initial exploration activities, including seismic study and exploration drilling. At the time, it was said the drilling of the first exploration well was scheduled for the end of 2011.

But earlier this year it emerged that apart from the doubts over whether it contains commercial reserves, the partners also had disagreements over the project's management.

Chevron reportedly took issue with Rosneft's insistence the venture be registered in Russia and that it be allowed to select the contractors. The parties also failed to agree on what legal jurisdiction would apply to the deal.

Jake Rudnitsky, [jake\\_rudnitsky@platts.com](mailto:jake_rudnitsky@platts.com)

*(Platts Commodity News, 10.06)*

**UPDATE: RUSSIA TO AUCTION LICENSED AREA NEXT TO EXXONLED SAKHALIN SEP 1.** Russia will put up for tender a licensed area bordering the Chayvo field in Russia's Far East on September 27, with the starting price set at Rb1.614 billion (nearly \$58 million), according to a document posted on the website of the country's subsoil agency Rosnedra Friday.

The Chayvo field is being developed as part of the ExxonMobil-led Sakhalin 1 project.

The licensed area that includes the northern oil reserve extension of the Chayvo field and is in the Okhotsk Sea was estimated to hold 16.56 million mt of recoverable oil reserves and 9.9 billion cubic meters of gas as of January 2010, according to Rosnedra's data.

At the same time, Rosnedra said ExxonMobil, which conducted exploration at the area, recalculated the reserves in 2010, putting them at a lower level of nearly 15 million mt of oil.

ExxonMobil holds an operating 30% stake in the consortium, which develops the Sakhalin 1 production-sharing agreement covering the Chayvo, Odoptu and Arkutun-Dagi fields.

Potential bidders have until 16:00 Moscow time (1200 GMT) July 29 to register their interest and pay the Rb635,100 participation fee.

They then have until August 30 to submit proposals for the area's development.

The tender itself will be held at 11:00 Moscow time (0700 GMT) on September 27.

Initially, ExxonMobil tried to include the newly discovered oil reserves in the Sakhalin 1 licensed area on the basis that they are an extension of the Sakhalin 1 fields.

Talks on the issue were completed in 2006, when the authorities ruled out the possibility of an automatic expansion of the license area if new hydrocarbon reserves are found at Chayvo and Odoptu, citing Russian law.

ExxonMobil declined to comment.  
the area.

Russian law limits the number of companies eligible to develop national offshore reserves to state-run Rosneft and Gazprom, and a foreign company can take part in an offshore project only if a Russian partner holds no less than 51% in a project.

#### ROSNEFT TO BID

Rosneft, which partners ExxonMobil in the Sakhalin 1 project with a 20% stake, expects to bid for the North Chayvo, the company's CEO Eduard Khudainatov said.

"We expect to win the bid for North Chayvo because it would be too expensive for a company without pre-existing infrastructure to develop it," Khudainatov told reporters, speaking in Krasnodar, where the company's annual general meeting took place earlier in the day.

Other partners in the Sakhalin 1 project are Japanese consortium Sodeco (30%) and India's ONGC (20%).

#### GAS FIELD ON YAMAL PENINSULA

Separately, Russia also plans to auction the Vostochno-Kharasaveisky (or East Kharasavey) licensed area in the northern part of the west Siberian Yamal-Nenets Autonomous region, whose recoverable gas reserves are estimated at 228 Bcm.

Unlike a tender, where the economic efficiency of the project development is the key criteria, the offered price for the license will be the key criteria at the auction, Rosnedra said.

The auction will take place on August 10.

Potential bidders have until July 11 to register their interest and pay the Rb157,000 participation fee.

The starting price is set at Rb250 million.

Russia also announced auctions for a number of other, smaller licensed areas through the country. Details are posted on Rosnedra's website.

*(Platts Commodity News, 10.06)*

#### RUSSIA'S ROSNEFT SEES 2011 CAPEX DOUBLING TO \$18.2 BILLION

Russian oil major Rosneft expects to boost capital expenditure for 2011 by over 80%, to Rb507.1 billion (\$18.2 billion), company vice president Pavel Fyodorov said at Rosneft's annual shareholders meeting, providing no further details.

This is a significant increase on the last announced capex plan for 2011 of around \$11 billion, which was itself up 23% from 2010. Last year it spent Rb280 billion.

"The level of investment in 2011 will significantly outstrip net profit in 2010," Fyodorov said.

In April, Rosneft said its upstream capital expenditure in the first quarter grew 32% year on year to \$1.611 billion, driven mainly by construction at the giant Vankor field in East Siberia as the company continues to ramp up production there.

Rosneft's downstream capital expenditure for the quarter nearly tripled from the same period in 2010 to \$770 million, with \$481 million spent on upgrading the Tuapse refinery.

*(Platts Commodity News, 10.06)*

**CHINA GAS DEAL COULD REACH \$700BLN OVER 3 DECADES.** China may have to pay \$700 billion over 30 years for Russian gas under a long-term contract being negotiated by the countries, if the world's biggest energy user agrees to pay European prices, Sanford C. Bernstein said.

"Assuming European prices at the China border of \$350 per thousand cubic meters, then this deal alone could be worth \$700 billion over 30 years, contributing 2 percent to Russian GDP each year," Neil Beveridge and Oswald Clint, senior analysts at Bernstein, wrote in a research note late last week. An accord is likely to be signed ahead of President Hu Jintao's visit to Russia this week, they said.

Russia plans to supply as much as 68 billion cubic meters a year of natural gas to China from Siberia through two pipelines yet to be built. Gazprom said it asked China National Petroleum, the country's largest energy producer, to continue the gas-supply talks on Tuesday in Moscow after seeking to resolve terms last week.

A western pipeline will transport 30 bcm a year, while an eastern link will export 38 bcm annually, Gazprom says on its web site.

Investment in the project by Russia and China could total \$100 billion, with first gas to be delivered in 2015 through the western route, according to Beveridge and Clint.

"Given the enormous capital costs and Chinese surplus foreign exchange reserves, it is likely that China will provide debt financing for the project," the analysts said. "Moreover we expect China to seek upstream equity participation in return for market access as part of any agreement."

Russia's ambassador to China said late last week that the two countries are still negotiating the pact and it would be inappropriate to set a date for the companies involved to conclude the deal.

(Bloomberg, Reuters)

China has settled in full with Rosneft for oil deliveries, Rosneft's president, Eduard Khudainatov, told reporters, Interfax reported.

*(The Moscow Times, 14.06)*

**ROSNEFT HOLDS ANNUAL GENERAL MEETING OF SHAREHOLDERS.** The following information was released by Rosneft:

The Annual General Meeting of Shareholders of Rosneft was held on June 10, 2011 in Krasnodar. Holders of 97.39% of Rosneft shares registered to participate in the meeting.

The meeting approved the Annual Report, the Accounting Statements and the distribution of net profit of Rosneft for 2010.

It was decided to pay 15.2% of the non-consolidated net profit as dividends on Rosneft shares, which amounts to 29,251 million rubles (2.76 rubles per ordinary share). The approved dividend payment for 2010 is 20% higher than that for 2009. The dividends will be paid simultaneously to all shareholders by August 9, 2011.

The shareholders also elected a new Board of Directors composed of 9 members, namely:

Vladimir Bogdanov, CEO, Surgutneftegaz

Andrey Kostin, President, Chairman of the Management Board, VTB Bank

Alexander Nikipelov, Vice President, Russian Academy of Sciences

Yury Petrov, Head, Federal Agency for State Property Management

Hans-Joerg Rudloff, Chairman of the Supervisory Board, Barclays Capital

Nikolay Tokarev, President, Chairman of the Management Board, Transneft

Eduard Khudainatov, President, Rosneft

Sergey Shishin, Senior Vice President, VTB Bank

Dmitry Shugayev, Deputy CEO, Russian Technologies Corporation.

The meeting also approved the composition of the Company's five-member Internal Audit Committee, nominated CJSC Audit consulting Group Business Systems Development as auditor of the Company's RAS Annual Accounting Statements for 2011 and decided on the remuneration to the members of the Board of Directors. It also approved the related-party transactions. Additionally, changes to the Company's Charter were made, spelling out the dividend payment procedure.

Commenting on the results of the meeting Eduard Khudainatov said: "We were proud to report to our shareholders on the Company's 2010 results. Our operating indicators confirm Rosneft's strong growth potential, which without any doubt will be reflected in the market valuation. And this is positive for those who have invested in Rosneft shares".

*(Dion News Service, 13.06)*

**CHEVRON PULLS OUT OF BLACK SEA EXPLORATION DEAL WITH ROSNEFT.**

Rosneft's president Eduard Khudainatov said on Friday (10 June) that Chevron has pulled out of a deal with the Russian state oil firm to explore the Val Shatsky ridge in the Black Sea.

Implications

Chevron's withdrawal from the deepwater Black Sea exploration project—apparently over disagreements with Rosneft over the size of the resource base—marks a second high-profile setback for the Russian firm in its search for international partners. The company's proposed share-swap and Arctic exploration alliance with BP also fell through last month.

Outlook

Despite the twin blows, Rosneft is not looking back, as the company—which elected a new chairman of the board at its annual general meeting on Friday to replace Igor Sechin, Russia's powerful deputy prime minister—aims to become a global player in the oil industry.

#### Another Partnering Failure

State-run Russian oil giant Rosneft held its annual general meeting (AGM) on Friday (10 June) in the city of Krasnodar, and while shareholders carried out a modest agenda in conducting company business, it was the comments made after the AGM by Eduard Khudainatov, Rosneft's president, that generated the headlines. In particular, Khudainatov acknowledged that Rosneft's partnership with Chevron to develop the Val Shatsky ridge in the Russian sector of the Black Sea was essentially dead. Reports in March suggested that the partnership was "on the rocks", but Khudainatov clarified that Chevron has now pulled out of the project altogether following what he termed "some disagreements" between the two companies (see Related Articles).

Rosneft and Chevron inked the exploration agreement for Val Shatsky last June, but as much as Chevron was keen to make the partnership work—given the United States' supermajor's miniscule portfolio in Russia relative to its peers—the two sides failed to see eye-to-eye on the size of the resource base at Val Shatsky. The Wall Street Journal, citing a source familiar with the issue, reported that Chevron cooled on the project after realising that the geology of the Val Shatsky reservoir was more challenging than the company initially had thought. Moreover, Chevron, which was only slated to have a 33% stake in the operating company for the project, was not happy with the commercial arrangements for the USD1-billion venture, under which Chevron was to carry all of the exploration costs.

Khudainatov said that "Chevron still wants to work with us on offshore projects", but it appears that Rosneft will be looking for a new partner to develop Val Shatsky, which is estimated to contain 6 billion barrels of oil. ExxonMobil, which earlier this year signed an exploration agreement with Rosneft for the adjacent Tuapse Trough, is one possibility, as is France's Total, which lost out to Chevron last year in the competition for Val Shatsky. In the wake of Rosneft's failed attempt to complete a share-swap and Arctic exploration alliance with BP, however, news of Chevron's withdrawal from its Black Sea exploration partnership with Rosneft could not have come for a worse time for the Russian oil firm as it attempts to build up its offshore expertise and cement its credentials with foreign players.

#### Rosneft Undaunted

Nevertheless, Rosneft is not backing down from its ambitious plans for international expansion. Even as the Russian firm's efforts to establish lasting partnerships with multi-national oil firms at home have faltered over the past month, Rosneft's top management is confident that the company can find new partners and realise an audacious goal of adding USD100 billion in market capitalisation within three to five years. Khudainatov said that Rosneft believes this is achievable with the successful introduction of several strategic initiatives to improve the company's efficiency and develop more of its untapped resource base, which is among the largest in the world. Khudainatov said that Rosneft, which has reserves of 22.765 billion barrels of oil equivalent as of end-2010 and has a current market valuation of approximately USD95 billion, is seriously undercapitalised now and plans to take measures to significantly boost its market value in the next few years.

#### Outlook and Implications

To that end, Rosneft plans to continue to look for partners to help the company develop its Arctic licences. It does not appear that BP is one of the options for partners any more, however, as Khudainatov—echoing comments made by BP's CEO Bob Dudley last week—said that Rosneft no longer sees any potential to resuscitate the moribund deal that expired last month when BP was unable to buy out its Russian partners in TNK-BP. Khudainatov said that Rosneft is looking forward, not back, and that the Russian oil firm—while disappointed in the failure of the BP deal—has no plans to take legal action in court against BP over the USD16-billion share swap that was not completed.

In another sign that Rosneft is turning over a new page, the company's board of directors on Friday formally replaced Russian deputy prime minister Igor Sechin as the oil company's chairman. Sechin, Russia's top energy policymaker and one of the main proponents of the BP-Rosneft deal,

stepped down as Rosneft chairman in late March in compliance with Russian president Dmitry Medvedev's call for top government officials to exit the boards of directors of state-run firms. To replace Sechin, the Rosneft board unanimously elected Alexander Nekipelov as chairman of the board. Nekipelov, a vice-president of Russia's Academy of Science, had taken over as acting chairman of Rosneft's board in April. Nekipelov, highlighting Sechin's influential role in the development of Rosneft, said that the Russian deputy prime minister's departure from Rosneft's board would create "risks" for the company. After the failures of the BP and Chevron exploration deals, however, the Russian company and its reconstituted board of directors will be looking to focus more on the opportunities ahead of them.

*(IHS Global Insight Daily Analysis, 13.06)*

**BP'S ROSNEFT ALLIANCE APPEARS DEAD.** Russia's OAO Rosneft no longer is considering BP plc as a partner for its planned Arctic development, the company's CEO said Friday. In January the two producers announced a "groundbreaking strategic alliance" that included Arctic exploration as well as a stock swap, which at the time was worth about \$7.8 billion (see Daily GPI, Jan. 18). The mega-deal also was considered a way for BP to regain some value after last year's Gulf of Mexico oil disaster. The deal began to collapse after BP's current Russian partner TNK-BP objected and won a legal challenge blocking the alliance (see Daily GPI, May 24).

Rosneft CEO Eduard Khudainatov told reporters on Friday that the company had not received any new proposals from BP to salvage the transaction. His comments followed those by BP Chairman Carl-Henric Svanberg on Wednesday, who said the company remained Rosneft's "favored partner...I'm sure some kind of deal could still materialize in one form or another."

However, BP CEO Bob Dudley, who had helped craft the proposed alliance, said, "In the meantime, we're moving on." He said BP needed to return to business with TNK-BP and there was no intention to sell its stake in that joint venture. The company has other compelling growth prospects, he told reporters.

BP now is readying the launch of 30 global projects by the end of 2016 and is returning to work in the Gulf of Mexico, said Dudley. "Russia isn't the biggest thing we're focused on."

*(NGI's Daily Gas Price Index, 13.06)*

**CHEVRON TO QUIT BLACK SEA PROJECT, ARCTIC EXPLORATION DEAL ON TABLE.** Rosneft, Russian integrated oil and gas major, has announced that the US oil major Chevron is planning to exit the Black Sea venture and has shown interest in Arctic oil exploration. The decision for breaking Black Sea alliance is over energy estimate disagreements.

The accord called for Chevron to invest an initial \$1 billion to drill wells in West Chernomorsky.

Rosneft's Shatsky Ridge unit, also known in Russian as Val Shatskogo, holds a license to explore the West Chernomorsky oil field.

The eastern Black Sea oil block used to belong to the now defunct oil giant Yukos and was one of the assets swooped up by Rosneft after the arrest of Yukos founder Mikhail Khodorkovsky.

Rosneft's plans to tap international technology and experience to develop offshore fields have gotten off to a shaky start. A deal to swap \$7.8 billion stakes with BP Plc and explore the Arctic Kara Sea collapsed amid a challenge from the U.K. producer's billionaire partners in a Russian venture.

*(Dion News Service, 13.06)*

**OJSC OC ROSNEFT ROSNEFT HOLDS ANNUAL GENERAL MEETING.** Rosneft Holds Annual General Meeting of Shareholders

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payment for 2010 is 20% higher than that for 2009. The dividends will be paid simultaneously to all shareholders by August 9, 2011.

The shareholders also elected a new Board of Directors composed of 9 members, namely:

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Andrey Kostin, President, Chairman of the Management Board, VTB Bank

Alexander Nekipelov, Vice President, Russian Academy of Sciences

Yury Petrov, Head, Federal Agency for State Property Management

Hans-Joerg Rudloff, Chairman of the Supervisory Board, Barclays Capital

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After the General Meeting of Shareholders the newly elected Board of Directors held its first meeting. Alexander Nekipelov was elected as chairman of the Board. Andrey Kostin, Hans-Joerg Rudloff and Sergey Shishin were elected as his deputies.

The Board of Directors also approved the composition of its three committees, each being headed by an independent director. Hans-Joerg Rudloff was elected to head the Audit Committee, with Andrey Kostin taking the helm of the HR and Remuneration Committee and Sergey Shishin heading the Strategic Planning Committee.

The Board of Directors also approved a new composition of the Management Board. Eduard Khudainatov, Pavel Fedorov, Larisa Kalanda, Gani Gilayev, Petr Lazarev were appointed members of the Management Board.

*(Regulatory News Service, 13.06)*

**CORPORATE NEWS: CHEVRON LEAVES ROSNEFT PROJECT.** U.S. oil major Chevron Corp. is quitting a \$1 billion project in Russia's Black Sea, in a fresh setback for OAO Rosneft's efforts to increase its international profile by forming partnerships with foreign oil companies.

Chevron's move comes shortly after BP PLC and Rosneft pulled the plug on a much-vaunted Arctic alliance that foundered on opposition from BP's partners in its existing Russian joint venture, TNK-BP Ltd.

Rosneft Chief Executive Eduard Khudainatov told reporters at the state-owned company's annual meeting in the southern Russian town of Krasnodar that Chevron had pulled out of the deal to jointly explore for oil in the Shatsky Ridge, a deepwater region of the Black Sea thought to contain six billion barrels of oil. He said geologists in the two companies had disagreed over the size of the resource. But he insisted the two were keen to work together on other offshore projects.

A spokesman for Chevron said the company didn't discuss "ongoing business negotiations." He added, "Chevron continues to work closely with Rosneft on opportunities to collaborate in business ventures."

The failure of two such high-profile agreements is a bitter blow to Igor Sechin, Russia's powerful deputy prime minister and the overseer of its oil and gas industry, who had publicly backed both deals and has worked hard to turn Rosneft into a global energy player. Until recently, he was the company's chairman.

The Shatsky Ridge deal, announced last year, marked the beginning of a thaw in Russia's often fraught relationship with the major oil companies. In partnering with Chevron, it was

acknowledging that it couldn't develop its remaining reserves -- especially those offshore -- without Western technology and expertise.

At the same time, Russian officials -- particularly Mr. Sechin -- were seeking to integrate Rosneft into the world energy landscape through a network of partnerships with other majors. The Kremlin has also been considering ceding control of Rosneft by privatizing more of the government's stake in the company -- a move that would be watched closely as a sign the state might be loosening its grip on the oil sector.

Other oil companies, such as Exxon Mobil Corp. and Total SA of France, followed Chevron in signing similar Russian exploration agreements. In January, BP and Rosneft announced the biggest partnership of all, a \$16 billion share swap and plan to jointly explore for oil and gas in the South Kara Sea, in Russia's far north.

But AAR, the group of Soviet-born billionaires who own 50% of BP's Russian venture TNK-BP, said the pact violated their shareholder agreement and won a court injunction to block it.

A person familiar with the matter said Chevron cooled on the Shatsky Ridge project after realizing that the geology of the reservoir was more challenging than initially thought. The company also objected to the commercial arrangements for the venture. Chevron would have had only a 33% stake in the operating company running the field, despite carrying all the exploration costs.

Meanwhile, both BP and Rosneft have declared their Arctic alliance officially dead. Rosneft's Mr. Khudainatov said Friday that Rosneft no longer considered BP a partner in the Arctic, and finance chief Peter O'Brien said Rosneft would likely name a new partner this year. Earlier this week, Bob Dudley, the BP CEO, said BP was now "moving on."

However, it is unclear which other companies will agree to the terms offered. Mr. Sechin said Rosneft was only considering proposals that contained a share swap -- a precondition that majors like Exxon and Royal Dutch Shell PLC will balk at -- as well as creating joint scientific institutes and engineering centers.

*(The Wall Street Journal, 11.06)*

**ROSNEFT MARKET CAP TO REACH \$100B: CEO.** The market capitalisation of Russia's largest oil company, state controlled Rosneft, will reach \$100 billion in the next few years, chief executive Eduard Khudainatov said Friday.

Khudainatov was speaking at Rosneft's annual shareholders meeting, which was due to elect a new chairman to replace Deputy Prime Minister Igor Sechin.

Sechin resigned to comply with an order by President Dmitry Medvedev to ministers to give up powerful board posts at large state-controlled companies. Published by HT Syndication with permission from The Financial Express.

*(Chevron deal in Russia near collapse, 11.06)*

**ROSNEFT NAMES NEW BOARD CHAIRMAN AS PART OF MEDVEDEV'S PURGE OF OFFICIALS FROM STATE COMPANIES.** Russia's top oil company Rosneft has appointed a new chairman of the board after Deputy Prime Minister Igor Sechin stepped down as part of President Dmitry Medvedev's purge of senior officials from state companies.

Russian news agencies reported that the Rosneft board's deputy chair Alexander Nekipelov, a boardmember since 2006, was elected to the top position at the company's annual general meeting on Friday.

Sechin, Russia's energy czar, stepped down in April after Medvedev announced officials shouldn't serve on the boards of state companies, a move to improve the investment climate.

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*(Associated Press, 11.06)*

**ROSNEFT: «CHEVRON IN BLACK SEA EXIT».** Eoin O'Conneide

A huge deal between Rosneft and Chevron to drill in the Black Sea appears to have bitten the dust after the former said the latter is all but assured to pulling out.

The deal between the US supermajor and the Russian energy giant had appeared to be on the rocks as early as March.

Today, Rosneft chief executive, Eduard Khudainatov, appeared to spell the death knell for the deal. Reuters quoted the executive as saying: "It's obvious that they will exit".

The news wire did not mention the name of the project on which the partners are working but referred to the likely end of a \$1 billion deal.

In June last year Chevron and Rosneft signed an agreement to jointly explore and develop the Val Shatskogo (Skatsky Ridge) field on Russia's Black Sea deep-water shelf. The agreement was then the biggest energy deal in Russia involving a foreign major this year.

The two parties were to throw in a combined \$1 billion investment with overall investment in the project set to top \$32 billion if it went ahead. Chevron was to finance initial exploration activities, including seismic surveys and exploration drilling and take a 30% stake in return.

In March it was reported that the pair was looking at whether or not to press ahead with the deal after disagreements on the choice of a project contractor, where the joint venture should be domiciled, and on the jurisdiction of arbitration for any business disputes.

Today's admission from Khudainatov does not spell the end of the relationship between Chevron and Rosneft, however, the chief executive continuing: "But Chevron will remain our partner and wants to continue working on offshore projects with us".

*(Upstream Online, 10.06)*

**SECHIN FAULTS BP FOR FAILED ROSNEFT PACT.** By Catherine Belton in Moscow

Russia's deputy prime minister has criticised BP for failing to win the agreement of its partners in its existing oil venture, TNK-BP, for its aborted co-operation pact with Rosneft

Igor Sechin, speaking as Rosneft shareholders formally elected his replacement as chairman of the state oil group, said BP would have to improve its offer if it was to stand any chance of reviving its pact for developing vast offshore fields in the Arctic.

"BP should have ensured agreement with its partners and this was not done. We don't know anything of their corporate agreements. They took the responsibility for agreeing all this and they didn't do it. This was their responsibility, and the ball is in their court," he said on Friday.

The proposed \$16bn share swap and Arctic exploration pact foundered last month in the face of stiff resistance from BP's Russian billionaire partners in TNK-BP, who claimed it breached their shareholder agreement with the UK oil group.

Bob Dudley, BP's chief executive, this week said the company was now "moving on" with little chance of the deal being revived.

The collapse of the deal has prompted critics to wonder whether Mr Dudley misread the changing political winds in Russia as Mr Sechin, who had been a major architect of the deal as former chairman of Rosneft, came under political pressure ahead of presidential elections.

The backing of Mr Sechin, a leading member of a clan of powerful security service officials, had been believed to be key in ensuring the pact went ahead.

But he was forced to step down from his position as Rosneft chairman in April after Dmitry Medvedev, the Russian president, ordered government ministers to step down from their positions on the boards of state companies, in a move seen as chiefly targeted at Mr Sechin.

Rosneft shareholders attending the company's annual meeting on Friday voted to retain Alexander Nekipelov, a high-profile Russian academic, as his replacement as chairman.

However, critics said the appointment showed the limits of Mr Medvedev's reform drive and would do little to improve corporate governance at Rosneft.

Mr Nekipelov, who also serves as a vice-president at the Russian Academy of Science, is believed to have close connections to Mr Sechin.

In what could be a further blow for the company, Eduard Khudainatov, the Rosneft president, said Chevron was likely to exit a \$1bn drilling venture in the Black Sea with the state oil group.

Mr Khudainatov said Rosneft did not intend to sue BP for the collapse of the proposed Arctic deal and would continue its search for other partners.

*(The Financial Times, 10.06)*

## INTERFAX

### **ROSNEFT EXPECTS TO SETTLE ISSUES WITH OIL SHIPMENTS TO CHINA SOON.**

The Russian oil major Rosneft (RTS: ROSN) expects to resolve all issues surrounding oil supplies to China in the near future.

"The contract price formula remains unchanged. At the same time, China has displayed significant progress in settling the issues of payment for transportation, including by paying a significant part of the debt under the contract. These very circumstances inspire Rosneft with confidence that the situation will be settled completely in the near future," Rosneft said in a statement.

It was reported earlier that Rosneft and the oil transportation company Transneft (RTS: TRNF) in 2011 started shipping oil to China in an amount of 15 million tonnes a year through a pipe diverging from the Eastern Siberia-Pacific Ocean (ESPO) pipeline system. In exchange for oil supply guarantees, China extended a \$15 billion loan to Rosneft and \$10 billion loan to Transneft.

After the shipments began, China National Petroleum Corporation (CNPC) called for revising the price for oil transportation, arguing that it was overpriced by 2%-3%.

In particular, China suggested that the price for oil transportation be calculated not from the Kozmino port but from the point where the pipe leading to China branches off from the trunk pipeline. Simultaneously, China stopped paying the difference by which it expected to have the transportation price reduced. As a result, China's debt for oil transportation grew to \$250 million, and the Russian companies suggested that they might go to court.

Following an Energy Dialogue meeting in Moscow last week, China has paid about three quarters of the debt.

(Our editorial staff can be reached at [eng.editors@interfax.ru](mailto:eng.editors@interfax.ru))

*(Interfax: Russia & CIS Energy Newswire, 11.06)*

### **NEFT'S MIDTERM CAPITALIZATION MIGHT REACH \$200 BLN - KHUDAINATOV.**

OJSC Rosneft's (RTS: ROSN) midterm capitalization might reach \$200 billion, the company's president, Eduard Khudainatov, said at a press conference on Friday.

"There is potential for \$200 billion [in capitalization]. We are building our strategy on this," he said. Rosneft's market cap is currently \$95.7 billion (GBP 58.833 billion) on the London Stock Exchange.

Khudainatov said Rosneft had a lot of potential to bolster its market cap in the next five years. "Firstly [through] the successful delivery of our plan to upgrade refineries, as a result of which Rosneft will be producing Euro 5 standard fuel by 2015. Refinery modernization will have an absolutely different economic impact on our company," he said.

Successful Arctic drilling will also help. "The perception, the view of our company and its valuation could alter in a big way if it only drills one well in the Arctic. Our own geologists and international ones are confident of this," he said. Plans to carry out global scale projects will also add value. We are in very concrete talks with other foreign companies about projects that we could participate in," he said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

### **CHEVRON LIKELY TO PULL OUT OF VAL SHATSKY PROJECT - ROSNEFT CHIEF.**

Chevron will probably pull out of Rosneft's (RTS: ROSN) Val Shatsky project in the Black Sea, Rosneft chief Eduard Khudainatov told reporters.

"Clearly not," he said, when asked whether Chevron would remain in the project.

A source close to the project told Interfax in March that the companies differed over the contract section's reserves. The source did not rule out Chevron pulling out of the project. The company would not have to pay any break-up fee for doing so.

Khudainatov said at the time that Chevron would stay in the project.

Rosneft and Chevron signed an agreement to develop the Val Shatsky license territory in the western Black Sea in June last year. They signed an agreement on the principles of cooperation and an agreement on interim financing. According to the agreement, two exploration wells will be

drilled at Val Shatsky: the first near Novorossiisk in the North Chernomorskaya structure, and the second near Tuapse, in the Mariya structure.

Val Shatsky contains estimated D2 reserves of 1.456 billion tonnes oil and 433 billion cubic meters gas.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

#### **RUSSIA TENDERING NORTHERN TIP OF CHAYVO FIELD, ROSNEFT BIDDING.**

Rosnedra, Russia's subsoil agency, will hold a tender for the northern tip of the Chayvo field in the Sea of Okhotsk on September 27, the agency said in materials.

The starting price is 1.6 billion rubles.

Rosneft (RTS: ROSN) has filed a bid, the company's chief, Eduard Khudainatov, told reporters.

"We prompted the tender - we filed a bid. If anybody else appears, well, we wish them luck," he said.

The cost for taking part in the tender comes to 335,100 rubles. The tender is open to all paying participants.

Applications for the tender will be accepted until July 29. The deposit equal to the starting payment should be paid by August 26. Technical-economic results, documents confirming the first payment and proposals on the size of one-time payments for the resources should be presented by August 30.

In forming the terms of the tender, Rosnedra factored in a long-standing environmental issue - the fate of gray whales in the vicinity of the area. The materials said that the operations in the section's offshore zone can be only realized when the gray whale population disappears: from the end of November to the end of May.

Operations should be implemented bearing in mind international standards, including the application of zero discharge and reinjection to water intrusions and other wastes. In addition, plans should be in place for reacting to oil spills.

The main criteria for selecting the winner in the tender for rights for developing the section include scientific technical level of the program for geological study and subsoil use, completeness of the extraction of commercial minerals, contributions to the socio-economic development of the region, the period for implementing these programs, efficiency in measures to protect subsoil resources and the environment, as well as ensuring national and state security.

The participants' technical economic proposals should, for instance, include a draft for the development of production capacity for transporting produced subsoil resources and other transportation infrastructure.

In addition, participants should present proposals for utilizing associated oil gas.

"Over the two years, from the date of the confirmation of the project documents, the winner should start up the first stage of development at the section and harmonize the scope and timing of the project with the overall development of Chaivo field," the materials said.

The section under federal designation, including the northern tip of the Chayvo field, which is located in the Sea of Okhotsk, north east of Sakhalin. The section is directly adjacent to OJSC Sakhalinmorneftegaz's (RTS: SKGZ) infrastructure and pipelines, as well as the Nogliki-Okha roadway.

Exploration and survey at the section has yet to be implemented. The section includes the northwestern said of the Chaivo oil condensate yield (operated by Exxon Neftegas).

C1 oil reserves at the northern tip of Chaivo come to 9.356 million tonnes, free gas plus the gas cap - 352 million cubic meters, and condensate - 35,000 tonnes. C2 resources come to 5.482 million tones in oil, free gas plus gas cap- 841 million cubic meters and condensate - 57 million cubic meters.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

#### **ROSNEFT DELAYS DECIDING ON OPTION PROGRAM UNTIL YEAR'S END.**

Rosneft (RTS: ROSN) is putting off its decision for its option program until year's end, the company's president, Eduard Khudainatov, told journalists on Friday.

"We are now working on the extent of management to be involved in the program. This will be a long-term, ten-year, program in three-year phases. 1.5%-2% of the company's shares might be

earmarked for the program, this is being discussed. It will be both long-term and short-term. It might be ready when the strategy has been prepared. We would like to synchronize these two moments," he said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT NOT TREATING BP AS ARCTIC PARTNER.** Rosneft (RTS: ROSN) is not treating BP as a partner in the Arctic, the Russian oil company's chief, Eduard Khudainatov, told reporters.

"We're not treating them as our partner in the Arctic. BP has not made a new offer," he said.

"Rosneft, and this was obvious, wanted partnership with BP very much. This was clear from our actions when we extended the agreement. But BP couldn't do this deal due to its dependence on its own partner," Khudainatov said.

"There can be various forms of cooperation. If a partnership runs deep, then why not," he said, when asked whether a share swap was possible with a potential partner.

Rosneft has no particular timeframe for doing an Arctic deal, he said.

Rosneft is planning to conduct an environmental impact study for the Vostochno-Prinovozemelskie sections, where it had proposed to work with BP, Khudainatov said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**NEKIPELOV ELECTED AS ROSNEFT BOARD CHAIRMAN.** Alexander Nekipelov, vice president of the Russian Academy of Sciences, has been elected chairman of the board of directors at Rosneft (RTS: ROSN), the oil company's chief, Eduard Khudainatov, told reporters.

Khudainatov said Nekipelov was elected by a unanimous vote of board members.

Nekipelov had been acting board chairman since Deputy Prime Minister Igor Sechin stood down following instructions by Russian President Dmitry Medvedev to remove government officials from the boards of state-owned companies.

Nekipelov told reporters that Sechin's withdrawal from the board created "certain risks for the company."

"Sechin played a huge role in our development. He had enormous authority in the company and among foreign investors. Share prices fell when he stood down," Nekipelov said.

"There can't be anything more harmful to a corporate governance system than the owner - the state at Rosneft - by its own will distancing itself from managing its own capital. You can talk about various forms of management. But to raise the issue of a few independent directors managing a company to their own devices with billions of dollars in capital - you don't get this anywhere in the world," Nekipelov said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT DISCUSSING ARCTIC PROJECTS IN OTHER COUNTRIES.** Rosneft (RTS: ROSN) is in detailed talks about working in Arctic projects in third countries, the Russian oil company's chief, Eduard Khudainatov, told reporters.

"It's a commercial secret, but we are in concrete talks. The projects are in the north Arctic on all sides - east and west," he said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT MULLING FILLING STATION ACQUISITIONS IN GERMANY - KHUDAINATOV.** Rosneft (RTS: ROSN) is thinking of buying filling stations in Germany, the company's president, Eduard Khudainatov, told reporters.

Khudainatov did not say how many filling stations, but he did say there could be dozens.

"There is this idea. We're discussing it. We have options for filling stations and are discussing them. We're not now interested only in buying them in regions where fuel demand is not high. The goal is not quantity but quality. We've changed our approach," Khudainatov said.

One of the company's biggest deals this year was the purchase of 50% of Germany refinery Ruhr Oel for \$1.6 billion.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT HAS NO PLANS FOR SECONDARY SHARE PLACEMENT - KHUDAINATOV.** Rosneft (RTS: ROSN) has no plans for a secondary placement of shares, the company's president, Eduard Khudainatov, told journalists on Friday.

"We so far don't have plans for a secondary placement," he said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**CHINA SETTLES IN FULL WITH ROSNEFT FOR OIL DELIVERIES - KHUDAINATOV.** China has settled in full with Rosneft (RTS: ROSN) for oil deliveries, Rosneft's president, Eduard Khudainatov, told reporters.

"We haven't left anything unsaid. All misunderstandings that have arisen have been ironed out. The Chinese side has settled with us in full," he said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT'S SHAREHOLDERS BACK 20% DIVIDEND INCREASE.** Shareholders in Rosneft (RTS: ROSN) voted at their AGM to accept a dividend of 2.76 rubles a share or 20% more than the oil company paid for 2009, an Interfax correspondent reports from the meeting.

The total payout will be 29.251 billion rubles or 15.2% of net profit to Russian Accounting Standards (RAS) (11.7% for 2009). The dividends must by law be paid by August 9.

Net profit fell 7.8% to 191.915 billion rubles in 2010, from 208.179 billion rubles in 2009. Rosneft will earmark 162.665 billion rubles or 84.8% of last year's profit for investment, operating purposes and social development.

Fees for board members, paid in company stock, are: 25,238 shares each for Andrei Kostin, Alexander Nekipelov and Hans-Joerg Rudloff; 20,821 for each of Andrei Reus and Nikolai Tokarev; 18,928 for Vladimir Bogdanov; and 14,021 for Sergei Bogdanchikov.

The new board of directors includes the company's chief, Eduard Khudainatov; Sergei Shishin, senior vice president of VTB (RTS: VTBR); and Dmitry Shugayev, deputy general director of the state Russian Technologies (Rostekhnologii) corporation; Surgutneftegas (RTS: SNGS) chief Vladimir Bogdanov; Transneft (TRNF) Nikolai Tokarev; Russian Federal property Agency chief Yury Petrov; and independent directors Andrei Kostin, the chairman of VTB (RTS: VTBR), Alexander Nekipelov and Hans-Joerg Rudloff, the chief executive of Barclays Capital Inc.

ZAO RBS will audit Rosneft to Russian standards for 2010, as it has done since 2007.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT TO COMPLETE REFINERY MODERNIZATION BY 2015.** Rosneft (RTS: ROSN) will complete a massive overhaul of its refining capacity by 2015, President Eduard Khudainatov told shareholders at the AGM on Friday.

The modernization will boost the share of Euro 5 fuel in light product output to 78% from 56% and annual refining will rise to 58 million tonnes from 50 million tonnes.

The company will complete construction of a catalytic cracking unit at the Kuibyshevsky and Syzran refineries in 2013, as well as a catalytic reforming unit at the Novokuibyshevsky facility with capacity for 3.7 million tonnes a year.

Khudainatov added that, according to Rosneft's modernization program, 41 billion rubles was not used in capex last year. "We didn't spend 41 billion rubles in capex, including that for modernization since we decided to audit projects and settle some issues," he said.

The key project this year will be the set up of delayed coking capacity (1 million tonnes annually) at the Komsomolsk Oil Refinery. Rosneft will also open up the first section of the reconstructed Tuapse Oil Refinery in 2012.

Rosneft plans to move to exclusive production of euro-5 standard fuel in 2015.

"In the future we plan further development of filling station chains in the regions near to the company's oil refineries, primarily in Siberia and the Far East, as well as promising areas of Moscow, St. Petersburg and other cities with millions of residents," Khudainatov said.

The company proposed a program in 2010 to rebrand, reconstruct and build new filling stations through the investment of 4.8 billion rubles.

Rosneft plans to invest 80 billion rubles this year into the modernization of its oil refineries.  
*(Interfax: Russia & CIS Energy Newswire, 10.06)*

### **ROSNEFT REQUESTS POSTPONEMENT OF BLACK SEA DRILLING UNTIL 2017.**

Rosneft (RTS: ROSN) has filed to postpone drilling a first well in the Black Sea until 2017, President Eduard Khudainatov said at the Rosneft AGM on Friday.

"We filed a request with the Fuel and Energy Commission to move back the date for drilling the well, from 2012 as originally planned to 2017," he said.

"We have no plans to immediately begin drilling in the Black Sea. We will perform geological research, model the fields. It might take many years to decide on development, production," Khudainatov said.

"When we agreed [to implement the project], we didn't say we were planning to produce oil there. We are planning to study everything," he said.

Several Rosneft shareholders express concern over the environmental impact of oil production in the Black Sea, at Rosneft's properties in the Tuapse Trough and Val Shatsky.

One shareholder was concerned about a deepwater spill similar to the one in the Gulf of Mexico. Another thought that the combination of hydrogen sulfide deposits, oil extraction and the new undersea natural gas pipeline that supplies Sochi could spell disaster.

Khudainatov assured shareholders that a decision on production was far off, and that if the company does decide to commence production, it will strive for zero environmental impact.

"If it comes to that, everything will be done and built in accordance with the strictest environmental protection standards," he said.

Rosneft and Chevron signed the agreement on development of Val Shatsky in the Black Sea in the summer of 2010. They also created an operating company in which Chevron has a 33% interest. Chevron will finance the geological exploration, including seismic work and exploration drilling. Spending on geological exploration will total \$1 billion. In the event the companies decide to develop the resource, investment might total 1 trillion rubles.

In January 2011, Rosneft signed a similar agreement with ExxonMobil on geological exploration and development of sections in the Tuapse Trough. ExxonMobil has a 33% interest in the joint venture operating the project and will finance exploration work. The two companies are expected to sign a detailed agreement on the project before the end of the year.

In addition, last year Rosneft received the license to another Black Sea section, Yuzhno-Chernomorsky.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT AGM OPENS IN KRASNODAR WITHOUT FORMER BOARD CHAIRMAN SECHIN.** The Rosneft (RTS: ROSN) annual meeting has opened in Krasnodar without the former board chairman, Deputy Prime Minister Igor Sechin, an Interfax correspondent reported from the AGM.

The head of Russian state property agency Rosimushchestvo, Yury Petrov, opened the meeting.

Sechin was included on the list of candidates approved by Prime Minister Vladimir Putin in February. However, Sechin withdrew his candidacy - and stepped down as board chairman - after President Dmitry Medvedev directed that senior government officials should leave the boards of the big state companies.

Alexander Nekipelov, vice president of the Russian Academy of Sciences is serving as acting board chairman.

The candidates for seats on the board are: Surgutneftegas (RTS: SNGS) General Director Vladimir Bogdanov; VTB (RTS: VTBR) President and CEO Andrei Kostin; Nekipelov; Rosimushchestvo's Petrov, Barclays Capital Inc CEO Hans-Joerg Rudloff and Transneft (RTS: TRNF) President Nikolai Tokarev, as well as Rosneft President Eduard Khudainatov, VTB Senior Vice President Sergei Shishin and Russian Technologies deputy head Dmitry Shugaev.

The list does not include three men who won seats to the board last year: Sechin, former Rosneft President Sergei Bogdanchikov, who resigned in September, and Andrei Reus, member of the Oboronprom board of directors.

Shareholders will vote on the board's dividend recommendation for 2010: 2.76 rubles per share, which is 20% more than the company paid for 2009, and amounts to 29.251 billion rubles or 15.2% of net profit under Russian accounting standards (RAS), up from 11.7% last year. The rest of net profit, 191.915 billion rubles, will go to the investment program.

Shareholders will also vote on the compensation for board members.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT WON'T ACHIEVE 95% APG UTILIZATION UNTIL 2014.** Rosneft (RTS: ROSN) will only achieve a 95% rate of associated petroleum gas (APG) utilization by 2014, President Eduard Khudainatov said at the AGM on Friday.

Rosneft will spend 74 billion rubles on its targeted gas program in the next few years.

The company will build more than 1,000 kilometers of gas pipeline in 2011-2014, and compressor stations at the Komsomolskoye, Kharampurskoye, Priobskoye and Vankor fields.

The projects will result in creation of a unified system for shipping gas to market and also to generate power for company operations and to maintain reservoir pressures.

The Natural Resources and Ecology Ministry previously said that Rosneft and Gazprom Neft (RTS: SIBN), both state-owned, had the worst APG utilization rates, 46% and 44% respectively. By contrast, Surgutneftegas and Tatneft (RTS: TATN) have already reduced their gas flaring rates to 4% and 6% respectively.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

**ROSNEFT PROMISES TO BRING PRODUCTION AT VANKOR TO 25 MLN TONNES AFTER 2013.** OJSC Rosneft (RTS: ROSN) plans to bring production of oil at the Vankor field to its intended level of 25 million tonnes after 2013, the company's head, Eduard Khudainatov, said during the company's annual shareholder meeting.

"We will finish construction of the main facilities at Vankor field in 2013. We will reach production of 25 million tonnes in the future," he said.

Khudainatov added that Rosneft plans to hold production at its older fields (parts of Samaraneftgaz - Udmurtneft (RTS: UDMN) and Sakhalinmorneftgaz (RTS: SKGZ)) at their plateau. Output at Samaraneftgaz itself will be held at 10 million tonnes, Udmurtneft - 6.3 million tonnes and Sakhalinmorneftgaz - 1.6 million tonnes.

He also said that Rosneft is developing an integrated program for geological survey and replenishing its crude base at older fields belonging to Kransnodarneftgaz, Stavropoloneftgaz, Grozneftgaz, as well as fields in Dagestan and Ingushetia. "We plan to carry out this program between 2012 and 2020," he said.

*(Interfax: Russia & CIS Energy Newswire, 10.06)*

## ITAR-TASS

**RUSSIA HAS OIL RESERVES ENOUGH FOR VERY LONG PERIOD –CO BOARD HEAD.** Russia has oil reserves enough for very many years, Vice-President of the Russian Academy of Sciences Alexander Nekipelov, who was elected chairman of Rosneft's board of directors on Friday, said in an interview on Business FM Radio on Saturday.

"Oil in Russia will be enough for a very long period," he said.

As far as Rosneft is concerned, the company's reserves grow faster than the extraction, Nekipelov noted. There are great oil reserves in offshore areas. It is a very serious resource for the development of Russia's economy and other countries for many years, he added.

A great volume of investments perhaps is needed on the whole in the sector. Rosneft very actively invests, he noted. Sometimes, some shareholders are displeased with this. In 2010, 85 percent of

Rosneft's net profit was channeled into investments and only 15 percent went to pay dividends. At the same time, its dividends increase rather fast -- 20 percent a year.

Commenting on his new appointment, Nekipelov said he would try to hold both positions. "I can not put the work at the Academy of Sciences to the background, since many people entrusted me with it," the academician said. At the same time, he noted that all in the board of directors of Rosneft were serious knowledgeable people. The management is also experienced. Everything does not depend on one person, he noted.

Speaking about relations between the company and China, Nekipelov said it is a very good partner in the oil sector. It is a business partner, so disagreements in interests may emerge, he noted. All the tariff issues are settled. The debt accumulated by the Chinese side is paid off. "We hope for active cooperation in the future. It is important both for China and Russia, and for Rosneft in particular," he said.

*(ITAR-TASS World Service, 11.06)*

## RIA NOVOSTI

### **RUSSIA, CHINA KEEP TALKING GAS AS CHINESE PRESIDENT'S VISIT NEARS.**

Gazprom and China National Petroleum Corporation (CNPC) will continue discussions on a major gas supply deal on Tuesday, the Russian energy giant said on Monday after a second straight day of talks in Moscow.

"The second round of talks between Gazprom and CNPC on gas deliveries to China, which involved [Gazprom CEO] Alexei Miller and [CNPC president] Jiang Jiemin, have finished in Moscow. The talks will continue tomorrow," Gazprom said in a statement.

A legally binding document on the main terms of delivery was signed on September 27, 2010, during President Dmitry Medvedev's trip to China, and there is pressure for the final deal on pricing to be agreed in time for Chinese President Hu Jintao's appearance at the St. Petersburg International Economic Forum later this week.

Energy-hungry China is becoming a major consumer of Russian energy, but a recent pricing dispute over oil deliveries shows how high the stakes are.

Russia's Transneft oil pipeline monopoly and Rosneft oil giant started crude supplies to China via the East Siberia-Pacific Ocean pipeline in January, but soon accused CNPC of underpaying for the oil by unilaterally cutting payments by 7 percent.

After weeks of wrangling the Russian companies said China had acknowledged and repaid most of the \$250 million debt. Rosneft said last week that the contract price formula for crude oil supplied to China remains unchanged.

Russian Energy Minister Sergei Shmatko said on Monday at an energy conference in St. Petersburg that the potential for cooperation with China is unique.

Referring to the oil supply contract, he told reporters that "I look forward to a similar deal on gas."

*(RIA Novosti, 13.06)*

**SECHIN'S RESIGNATION TO CREATE RISKS FOR RUSSIA'S ROSNEFT - BOARD CHAIRMAN.** The resignation of Russian Deputy Prime Minister Igor Sechin from the board of directors of country's oil giant Rosneft will create risks for the company, Board Chairman Alexander Nekipelov said on Friday.

"Igor Ivanovich has played a big role in the development of the company and has much authority in the company, including among foreign investors, so his resignation would cause risks [for Rosneft,]" Nekipelov said.

He added that the company's share price dropped after the announcement of Sechin's resignation. Sechin, nicknamed Russia's "energy tsar," withdrew his candidacy as chairman of the board of Russia's biggest oil company in April under order from President Dmitry Medvedev.

Medvedev's call for all government officials to step down from the boards of state-run companies is part of a wider goal to increase transparency and boost Russia's lagging investment climate.

*(RIA Novosti, 10.06)*