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OIL & GAS IN BRIEF**EDITOR'S CHOICE**

*** The construction of a branch to China from the East Siberia - Pacific Ocean trunk pipeline will help create a stable and reliable market of oil from East Siberian oil fields, Prime Minister Vladimir Putin said this week. The anticipated completion of the Taishet-Skovorodino section is expected to expand Russian export capabilities by 15 million tonnes each year and to create a stable and reliable market for eastward oil shipments. Monopoly pipeline operator Transneft also announced that it and Rosneft have signed a bilateral cooperation agreement covering oil deliveries to China, Transneft said in a statement.

*** Negotiations held this week between Russian Prime Minister Vladimir Putin and his Iraqi counterpart Nouri al-Maliki in Moscow focused on cooperation in the oil and gas sector, with Russian oil majors Lukoil and Gazprom Neft both expressing interest in developing oil and gas fields in Iraq. Lukoil is prepared to adapt a contract for the development of the West Qurna-2 oil field in Iraq to meet the new Iraqi laws, and is preparing to bid in a tender to develop the field. Gazprom Neft plans to bid in tenders on six oil and two gas fields in Iraq and will make joint bids with another company.

*** Russia's largest privately-owned oil company, Lukoil, said this week that its total debt amounts to around \$7 billion, but that it is in a comfortable position. Company President Vagit Alekperov said he expects oil to average at \$45-\$55 a barrel in 2009, and that his company's budget envisions \$40 oil. He said he expects the creation of reserve fields to contribute to falling prices. Lukoil has said it is not looking at purchasing stakes in Kazakh oil producers Mangistaumunaigaz and Zhaikmunai, but that it would consider opportunities to acquire a stake in Czech refiner Ceska rafinerska if it receives such an offer. Lukoil is also planning to sell 160 gas stations in the United States. It hopes to finalize the acquisition of BP's stake in the Caspian Pipeline Consortium soon and is cutting gas production at the behest of Gazprom.

*** Russo-British oil major TNK-BP is preparing an offer to purchase Sibir Energy, a UK-listed company that produces oil in Russia, the Times of London reported this week. The Times said that the offer, totaling 2.3 billion pounds sterling (\$3.4 billion), is more than double Sibir Energy's latest market capitalization. Officials for the City of Moscow, which owns a substantial stake in Sibir, are aware of TNK-BP's desire to acquire 100% of the company, but do not plan to sell the city's stake. The board of directors at Sibir denies it has ever held negotiations with TNK-BP and said it has not received any proposals on the purchase of Sibir.

*** The oil arm of Russian gas giant Gazprom, Gazprom Neft, this week posted a net profit increase for 2008 of 12%. It has also increased its C1 explored reserves by almost 40 million tonnes after appointing De-Golyer and MacNaughton, which employs a somewhat different reserve accounting method to the previous auditor. Like many oil companies Gazprom Neft posted a significant fall in SEC reserves owing to decreasing oil prices. As a result, total profitable fields have also decreased owing to current prices. Meanwhile, Gazprom Neft will begin placing a fourth series of bonds totaling 10 billion rubles on April 21, twice the amount previously

*** State-owned oil major Rosneft said this week that it does not expect sales volumes of crude oil and product to change in 2009. Rosneft also announced is in favor of involving foreign oil companies in subsurface development in Russia but on new terms and that the cost of producing oil on the Arctic shelf will total roughly \$500-\$700 per tonne.

*** Russia's Gazprom this week officially warned Ukraine's state-owned oil and gas company Naftogaz Ukrainy this week that it might face fines for importing less gas from Russia in March than stipulated contractually. If Naftogaz imports less gas than stipulated and if the shortfall exceeds 6% of the quota, the Ukrainian company must pay a fine 50% higher than the cost of the gas that has not been imported if the under-purchase takes place between October and March or a fine three times as high as the cost of the gas not imported if the undersupply occurs at any other time. Naftogaz says the contract does not require automatic imposition of any fines, and Kyiv said it hopes that this notification was not an element of blackmail related to the recent signing of the European-Ukraine GTS modernization declaration.

*** The ongoing global economic downturn will force Gazprom to cut output 10% for the next four or five years, the Russian gas giant announced this week. It said the crisis had already caused a reduction of approximately 10% in gas consumption, with decline peaking at approximately 15% in October-November last year. 2009 gas production is now seen at 492 billion cubic meters, down from 549.7 bcm in 2008. European consumers are currently taking the minimum contractually stipulated amount, but growth is expected in Q2 and Q3. Gazprom has noticed slightly increasing export gas demand in Europe, and things are picking up in all operations, it said.

*** Gazexport, an affiliate of Russian gas giant Gazprom, was this week blamed for creating the conditions leading to a blast which stopped in full the delivery of Turkmen gas to Russia. Ashgabat claims an accident on the SATS-4 gas pipeline was caused by a sharp decrease in gas volumes being taken by Gazexport, which it says it was not notified about. Turkmen President Gurbanguly Berdimuhamedow has called on the Russian side to foot the bill.

TOP STORIES

RUSSIAN, IRAQI PREMIERS FOCUS ON OIL, GAS COOPERATION AT MOSCOW TALKS

MOSCOW. (Interfax) – Negotiations on April 10 between Russian Prime Minister Vladimir Putin and Iraqi Prime Minister Nouri al-Maliki in Moscow were focused on cooperation in the oil and gas sector. Both Lukoil and Gazprom Neft proceeded to express interest in developing oil and gas fields in Iraq.

COOPERATION

"In discussing business and investment ties, the emphasis was placed - and everybody understands this - on cooperation in the oil and gas sector," Putin said at a press conference following the talks with al-Maliki.

Russia and Iraq "gained significant positive experience of cooperation [in this sector] as well as in the electric power sector in the previous years," Putin said.

Al-Maliki pointed out that Iraq "well remembers and knows the Russian companies that provided assistance to us in various fields, such as the oil and gas, trade, and military-technological ones."

"We are confident that Russian companies could be our important partners at the present moment as well. It is important that all countries having friendly

ties with Iraq, which earlier supported our country, should be together with us today, when we are intensively dealing with rehabilitation issues," he said.

"We presume that Russia should be an important factor and should play a considerable role in building a new Iraq and promoting its economic revival," al-Maliki said.

Al-Maliki maintained "on behalf of all the Iraqi people that principles of democracy have been revived in Iraq."

"We would like to close those pages in our history in which we had some restrictions and bans in relations with certain countries. We would like to build warm and friendly relations with all states, and Russia is undeniably among them," he said.

LUKOIL

The Russian oil company Lukoil is prepared to adapt a contract for the development of the West Qurna-2 oil field in Iraq to meet the new Iraqi laws, Lukoil President Vagit Alekperov told journalists on April 11.

"We are prepared to adapt the contract for West Qurna for the new Iraqi laws," Alekperov said.

"All the necessary laws on tenders, the rules of the game, and the legislative basis have been endorsed in order to invest and have guarantees of payback of these investments," Alekperov said.

"The materials of the Western Qurna-1 tender are being studied. For now, the timeframe for holding the tender has been postponed, but we are planning to take part in it," he said.

GAZPROM NEFT

Gazprom Neft plans to bid in tenders on six oil and two gas fields in Iraq, the head of the company's Middle Eastern projects Alexander Kolomatsev told journalists.

Gazprom Neft will make joint bids with another company. Kolomatsev did not identify the partner.

The tenders will attract bids from world-leading energy companies that had vied for the very same fields before the U.S.-led invasion. "Therefore, they already have a lot more information on the projects," he said.

The results of the tender might be announced as early as the third quarter this year, he said.

The global operations of the bidding companies will have a bearing on the outcome of the tender, Kolomatsev said at a Russian-Iraqi roundtable.

The largest companies or consortiums will have the best chance of winning.

"Thus, among the Russian oil companies only Lukoil has the ability to vie for operations on Iraqi territory. It is the only one that has major production projects abroad," he said. "I believe that a consortium of Russian companies should participate on equal footing with the international consortiums," he said.

Kolomatsev proposed that Iraq designate a territory where Russian companies could demonstrate their know-how and experience in the oil and gas sector.

Although Russian companies have little experience in the Middle East, they have vast experience of operations in western and eastern Siberia. "Projects there are no less difficult and perhaps more complicated than those in Iraq," he said.

STABILITY OF OIL SUPPLIES TO CHINA VIA ESPO BRANCH GUARANTEED - PUTIN

MOSCOW. (Interfax) - The construction of a branch to China from the East Siberia - Pacific Ocean trunk pipeline will help create a stable and reliable market of oil from East Siberian oil fields, Prime Minister Vladimir Putin has said.

Putin was speaking at a meeting of the Cabinet presidium, which is expected to debate a draft inter-governmental agreement with China to build the branch.

"As you know, the first phase of the East Siberia - Pacific Ocean oil pipeline, between Taishet in the Irkutsk region and Skovorodino in the Amur region, will be commissioned very soon," the prime minister said.

Transneft and Rosneft have reached an agreement with the Chinese partners to build a branch from the ESPO to the border with China, he said.

"This will expand our export capabilities by 15 million tonnes each year, and create a stable and reliable market of oil from East Siberian oil fields in the eastward direction," Putin said.

The Russian government presidium has approved the agreement with China to cooperate in the oil sector, Regional Development Minister Viktor Basargin said after a meeting of the presidium.

"The relevant agreement has been approved," he said.

The agreement envisions, among other things, the construction of a branch of the East Siberia - Pacific Ocean trunk pipeline to China, earlier reports said.

Meanwhile, Transneft announced that it and Rosneft have signed a bilateral cooperation agreement covering oil deliveries to China, Transneft said in a statement.

The agreement, signed on April 10, is one of a set of documents governing Russia oil deliveries to China in line with the agreement between the Russian and Chinese governments on oil cooperation.

"The agreement between Transneft and Rosneft was concluded precisely according to the agreed schedule," the statement says.

Russia and China signed documents in Beijing on February 17 covering \$25 billion in loans to Rosneft and Transneft in exchange for oil deliveries to China on a spur of the Eastern Siberia-Pacific Ocean pipeline (ESPO) pipeline. Rosneft will receive \$15 billion in exchange for delivery of 15 million tonnes of oil a year for 20 years. Transneft will receive \$10 billion. Under the trade contract, Rosneft will sell oil to Transneft or a subsidiary for delivery to China National Petroleum Corporation.

Oil shipment on the ESPO spur is scheduled to begin in 2011.

CRISIS TO FORCE GAZPROM TO CUT OUTPUT 10% FOR NEXT 4-5 YRS

MOSCOW. (Interfax) - The crisis will force Gazprom to cut output 10% for the next four or five years, the Russian gas giant's deputy chief executive, Valery Golubev, said at forum on Russian Fuel & Energy in the 21st Century.

Golubev said the crisis had caused a reduction of approximately 10% in gas consumption. Decline peaked at approximately 15% in October-November last year.

Golubev said Gazprom recently finished adjusting the company's long-term gas balance to 2020 and "this, unfortunately, projects gas production to fall 10% for four or five years to come. In absolute terms, this is 60-70 billion cubic meters per year, which is as much as Ukraine, for example, gets through in a year.

Regarding the need to adjust the company's investment program, Golubev said "we could probably be talking about adjusting the timing of some capacity to meet various calls."

He confirmed the new guidance for this year's gas production, which is 492 billion cubic meters, compared with 549.7 bcm in 2008.

"Probably 492 bcm. For now. We're supplying gas at minimum yearly volumes. Contracts have been signed and the consumer will have to take the minimum volume up or pay a fine. They are consuming the minimum but if they ask for more, we'll supply it with pleasure," he said.

The minimum threshold in contracts with European consumers (take or pay) is 15%-20%.

"We can expect consumption to grow at the end of the second quarter and in the third quarter, when prices fall," he said, adding that Ukraine, for example, used 2.5 bcm of gas under contract in the first quarter when it usually uses 13 bcm. "Gas is expensive in the winter and Ukraine took gas out of storage, waiting for prices to fall in the third quarter, when gas falls in price, and when they'll start pumping it into storage again. It's very straightforward. The same applies to the Europeans," Golubev said.

Gazprom is now producing an average of 1.122 billion cubic meters of gas per day, or 30.5% less than a year ago, the Fuel and Energy Central Dispatch Center said earlier.

The Russian gas giant began March by producing just over 1.3 bcm per day, lowering this first by 80 million cubic meters and, in the period March 12-17, by another 90 million cubic meters (the later reduction taking place in three phases). It produced a steady 1.219 bcm per day between March 17 and March 29, when it started to scale output down further.

Gazprom could slash gas production 10.5% to 492 billion cubic meters in 2009, from 549.7 bcm in 2008, sources at the gas monopoly told Interfax, quoting the draft gas balance for 2009.

The document has not been approved and is constantly updated, "but production will probably be down further still, by 30 bcm to 460 bcm," one of the sources said. Another said gas production might be lowered to 470 bcm.

Gazprom's pipelines plan to accept 63.7 bcm of Central Asian gas this year and 27.8 bcm could be taken from underground storage facilities in Russia in the whole of 2009.

Approximately 16.5 bcm could be taken out of underground storage in the 2008/2009 season - three times less than last season's record 50.05 bcm. A total of 16.2 bcm have been taken out of storage since the current heating season began, and no more will be removed for the purposes of the current season after this week.

Russian gas demand in March and the start of April are equal to the results posted in 2008, Golubev said.

He added that April demand would exceed forecast and therefore equal the result of the same period of 2008.

When asked about the factors that influenced consumption trends (whether demand grew in indus-

trial or because of a colder spring), Golubev said: "I think that everything has calmed down and consumption is smooth." He added that despite the fact gas in Russia remains a cheap form of fuel, prices have edged by 5% since the start of the new year, which is below the inflation rate. "Therefore, gas has become less expensive," Golubev said.

According to the Fuel and Energy Dispatch Center, despite a reduction in gas demand in Russia starting from October 2008, the rate of its decline has been slowing month-to-month. In November, gas collection fell by 15%. This rate slowed to 10% and 8% in December and January, respectively. In February, Russian consumers reduced demand by 3.7% year-on-year.

However, Gazprom has noticed slightly increasing export gas demand in Europe, the head of the company's foreign economic activities department, Stanislav Tsygankov, told journalists on April 10.

He said: "We are seeing things pick up in all operations. Even though the system is now working on a summer mode, a larger volume of gas collection is starting."

Tsygankov added: "It is possible this is not global trend. This could be varying cross-flow resulting from prices or movement on the part of several industrial and energy segments. We still do not have an analysis as we only see the operations. We will likely conduct an analysis by month's end and see a cross section of consumption and how the situation really is."

"I will not venture to speak about any kind of stable trend but what's happening is positive," he added.

ROSNEFT DOES NOT EXPECT SALES OF CRUDE OIL, PRODUCT TO CHANGE IN 2009

MOSCOW. (Interfax) - Rosneft does not expect sales volumes of crude oil and product to change in 2009, the president of the oil major, Sergei Bogdanchikov, told journalists said at forum on Russian Fuel & Energy in the 21st Century. He also said Rosneft is in favor of involving foreign oil companies in subsurface development in Russia but on new terms and that the cost of producing oil on the Arctic shelf will total roughly \$500-\$700 per tonne.

DEMAND

"No changes in exports or domestic demand [in 2009] are foreseen," Bogdanchikov said.

Domestic consumption is down somewhat in Siberia and the Northern Caucasus, he said. "But in the central region oil product consumption is virtually at last year's level," he said.

"So we expect domestic consumption to be at last year's level," he said.

Meanwhile, Rosneft will bring the Vankor field on-stream in the third quarter of 2009, Bogdanchikov said. "We have less than 1.5 kilometers of the linear portion of the pipeline left to weld," he said.

The Rosneft board of directors will decide on the size of the dividend for 2008 at a meeting on April 24. "Management will recommend a dividend that will please shareholders," Bogdanchikov said.

FOREIGN DEVELOPERS

Rosneft is in favor of involving foreign oil companies in subsurface development in Russia but on new terms, Bogdanchikov said.

"If you were to ask me whether foreign companies should be involved, my answer would be 'yes', but on new terms," Bogdanchikov said.

One of those terms would be for foreign companies to be involved in funding projects to develop fields as a whole. "Foreign partners ought to be involved in financing the whole project, not just their own share," he said.

ARCTIC SHELF

The cost of producing oil on the Arctic shelf will total roughly \$500-\$700 per tonne, Bogdanchikov said.

"In traditional regions like Yamal or Siberia, we spend about \$30 per tonne of oil produced. In Eastern Siberia, we are already spending \$80 per tonne. On the Far Eastern shelf, we are spending \$200-\$300 per tonne - this has already been approved in our projects - while on the Arctic shelf it will be \$500-\$700 per tonne," he said.

Bogdanchikov said a new taxation system needs to be introduced to develop the Arctic shelf "so that

Foreign partners should also invite Russian companies to participate in projects in their own countries or in third countries, Bogdanchikov said. "They should open up the markets that they themselves represent," he said.

In addition, Bogdanchikov said he thought foreign companies ought to contribute to the development of local infrastructure and the provision of services.

the country can take the tens of million tonnes of oil from the shelf."

Rosneft was one of the first companies to start developing the shelf of the Sea of Okhotsk, where about 10% of its forecast reserves are concentrated. Rosneft has reserves of more than 700 million tonnes of liquid hydrocarbons on the shelf of the Sea of Okhotsk.

In 2008, the company presented a program for the development of Russia's continental shelf for the period until 2030. Rosneft is to invest about \$30 billion in shelf projects over this time.

ASSOCIATED GAS

Rosneft will invest 93 billion rubles in the utilization of associated petroleum gas over the next five years, he said.

He noted that a total of 260 billion rubles needs to be spent on the utilization of associated gas in Russia over the next five years.

LUKOIL HAS TOTAL DEBT OF ABOUT \$7 BLN – ALEKPEROV

MOSCOW. (Interfax) - Russia's largest privately-owned oil company, Lukoil, said this week that its total debt amounts to around \$7 billion, but that it is in a comfortable position. Company President Vagit Alekperov said he expects oil to average at \$45-\$55 a barrel in 2009, and that his company's budget envisions \$40 oil. He said he expects the creation of reserve fields to contribute to falling prices. Lukoil has said it is not looking at purchasing stakes in Kazakh oil producers Mangistaumunaigaz and Zhaikmunai, but that it would consider opportunities to acquire a stake in Czech refiner Ceska rafinerska if it receives such an offer. Lukoil is also planning to sell 160 gas stations in the United States. It hopes to finalize the acquisition of BP's stake in the Caspian Pipeline Consortium soon and is cutting gas production at the behest of Gazprom.

DEBT

Regarding the company's debt, Alekperov said that Lukoil is in a comfortable position and wasn't unduly worried.

"We are feeling rather comfortable today. We have had some small borrowings. We refinanced rather successfully at the start of the year. I would like to say a word of gratitude to Sberbank and Gazprombank, which have been very efficient in fulfilling their functions as regards support to the real sector," he said.

In addition, Alekperov also noted that VTB Bank had opened the company a credit facility with a limit of 75 billion rubles. "It's an 'airbag' that we have but which we aren't using today. Our loan portfolio is balanced. We do not have anything urgent to repay. Therefore, the company is carrying out its activities in a rather stable manner," he said.

PRICES

Oil prices in 2009 will fluctuate at \$45-\$55 a barrel, Alekperov said.

Alekperov said that analysts were putting oil this year at \$55-60. "I do not think that during this so-called crisis period demand for our production will increase sharply. We also see the same trend going on in the gas sector where consumption is decreasing since many generating facilities are not being used now because demand for electricity is going down. However, we hope that the price corridor for oil will hold at between \$45 and \$55 and that the year closes towards this upper threshold," he said.

He added that the company's 2009 budget had been devised based on a price of \$40 a barrel. "We

also had a crisis program in which the price could have decreased to \$30," he said, adding that Russian oil companies had already adapted to current prices. Companies have lowered investment and costs, Alekperov said. "A price of \$50 allows us to implement all programs slated for 2009 but it does not let us develop [projects] such as new fields and acquiring assets. Therefore, in this situation, we have been forced to raise additional loan funds for the purposes of securing [the company's] dynamic development," he added.

"A price of \$50 secures the companies' current operations. At \$30, companies can survive via further cost reductions. Anything higher lets us develop. This includes investment in projects," Alekperov said.

PRODUCTION

The creation of reserve oil fields could lead to the continuation of the current trend of falling oil prices, Alekperov said.

He noted that oil production in Russia declined 2% in the first quarter of 2009 compared to the same period of 2008.

"This trend will continue for one reason - the raw materials base is being exhausted and our unique provinces have entered the later stages of development. And the new provinces aren't being developed. This is connected with the fact that the government, unfortunately, has decided to set up a fund of strategic fields," he said.

"A resolution has also been prepared to endorse a fund of reserve fields. We don't quite yet understand what this is. But it works out that another group of

large fields will be transferred to another fund," he said.

"That is, we don't have access. And without access, investment programs and our orders will shrink," he said.

Deputy Prime Minister Igor Sechin said at an OPEC meeting in March that Russia had decided against holding auctions and tenders for large fields in the northwestern part of the country, in particular the Trebs and Titov fields.

Energy Minister Sergei Shmatko said later that oil fields with reserves of more than 30 million tonnes could be put into the reserve fund. He said the preparation of a plan for reserving fields is far from being completed.

Q1 OPERATIONS

Lukoil's operations for the first quarter of 2009 are profitable, the company's vice-president, Leonid Fedun, told journalists.

He said that the devaluation of the ruble, in part, had created conditions for a positive cash flow. "In the first quarter, the company was quite sure of itself. Operational activities over the three months produced profits," he said.

RITEK

Lukoil plans to raise its stake in Russian Innovative Fuel and Energy Company (RITEK) to 95%, the former company's vice-president, Leonid Fedun, told journalists.

A consolidation is now underway," he said, adding: "As far as I know, we should [boost the stake] to 95%."

Valery Graifer, the head of Lukoil's board of directors, said that the company had bought out a share

of funds managed by Prosperity Capital Management in RITEK. Prior to this transaction, Lukoil had consolidated over 80% in the company.

As of January 1, 2009, RITEK held licenses for 34 fields. Total recoverable C1 and C2 oil reserves come to 326.97 million tonnes with natural gas holdings at 3.03 billion cubic meters.

In 2008, RITEK exported 1.387 million tonnes of oil.

KAZAKH PRODUCERS

Lukoil has no plans to purchase stakes in Mangistaumunaigaz and Zhaikmunai, the company's president, Vagit Alekperov, told journalists.

"We are not looking at them," he said.

He added that during an upcoming visit Kazakhstan, much of the focus would concern the Caspian Pipeline Consortium (CPC).

It was earlier reported that Lukoil would be trying to receive authorization to purchase BP's stake in the LUKARCO joint venture, which is part of the CPC, as well as a project for the development of the Tengiz field.

Zhaikmunai is an independent oil and gas company that specializes in exploration, production and sales of crude oil and gas condensate in northwest Kazakhstan. Zhaikmunai licensed area also includes the Chinarevskoye field located in the north part of the Caspian Sea. The Chinarevskoye field covers an area of 324 square kilometers and lies in West Kazakhstan region closer to the Kazakh-Russian border and not far from the large pipelines. Reserves at the licensed section came to 755 million barrels of oil

CPC

Lukoil will attempt to receive approval from Kazakhstan before the end of April on its purchase of British Petroleum's stake in the LUKARCO joint venture, which is taking part in the Caspian Pipeline Consortium (CPC) and a project to develop the Tengiz field.

"We are holding talks and they have almost been completed," Alekperov said in an interview with Bloomberg Television.

"We have received a specific proposal from BP and have confirmed our interest in buying the stake. Now we need to deal with the formalities and receive the permission of the Kazakh government. I am planning to visit Kazakhstan from April 25-30, meet with the president and raise this issue in the hopes of receiving a positive reply," he said.

The CPC owns the 1,580 kilometer long Tengiz-Novorossiisk oil pipeline, which links oil fields in western Kazakhstan and Russia's Black Sea coast. The CPC pipeline pumped 31.47 million tonnes of oil in 2008. A feasibility study exists to augment the CPC's capacity to 67 million tonnes of oil per year.

BP is the sole shareholder in the project that does not have its own oil volumes to ship on the pipeline, which gives the company little economic incentive to participate in the cost of the proposed extension of the pipeline. It is also why BP announced plans to withdraw from the consortium last year.

BP has a 6.6% stake in the project via two joint ventures - LUKARCO B.V. (with Lukoil) and Kazakh-

stan Pipeline Ventures (with KazMunayGas). Lukoil and KMG have right of first refusal to buy BP's stakes in the ventures. BP managed to reach an agreement with KMG on sale of the KPV stake in short order, and all the other CPC shareholders have approved that planned deal.

equivalent on June 1, 2007, of which 397 million barrels were 2P category and 359 million barrels were probable reserves.

MangistaumunaiGaz, founded in 1995, is one of the largest oil producers in Kazakhstan. The company owns 36 oil and gas fields, 15 of which are being developed. The largest fields are the Kalamkas and Zhetysbau. MMG also owns a 58% stake in the Pavlodar Oil Refinery.

Since June 1996, the enterprise has received licenses from the Kazakh government for oil and gas production at the Asar, Burmasha, Kalamkas, Alatabe, North Karagie, Zhetybai and Oimasha fields.

Lukoil has no plans to abandon its international projects, Fedun told journalists.

All projects that we have are largely geological exploration and extremely efficient," he said.

It was earlier reported that Lukoil's board of directors, at a meeting in Prague on April 23, would review the company's international operations in refinement and sales, as well as areas like geological exploration and production.

BP initially wanted \$2.5 billion for the LUKARCO stake, but it has since lowered the price to \$1 billion, sources said.

The Kazakh government must approve the sale of a stake in the CPC. This measure is envisioned in a government decree on the approval of a list of strategic assets transferred to registered capital and/or owned by the national holdings and/or national companies or their affiliates as well as other legal entities with the government's participation and strategic assets owned by legal entities not affiliated with the government as well as individuals that came into effect on June 30, 2008. This list includes CPC-K and CPC-R and Kazakhstan owns a 19% stake in each of the companies.

Virtually all of the consortium members have agreed in principle to the capacity upgrade. LUKARCO is the only holdout.

CPC's sovereign shareholders are Russia with 31% (managed by Transneft - 24% and CPC Company - 7%) and Kazakhstan with 19%. The rest of the consortium belongs to private companies: Chevron Caspian Pipeline Consortium Company (15%), LUKARCO B.V. (12.5%), Rosneft-Shell Caspian Ventures

Limited (7.5%), Mobil Caspian Pipeline Company (7.5%), Eni International (N.A.) N.V. (2%), BG Overseas Holdings Ltd (2%), Oryx Caspian Pipeline LLC (1.75%), and Kazakhstan Pipeline Ventures LLC (1.75%).

The joint venture Tengizchevroil (TCO), which develops the Tengiz and Korolyov oil fields in the Atyrau region in western Kazakhstan, produced 17.3

million tonnes of oil (137.8 million barrels) in 2008. The joint venture is currently owned by ChevronTexaco Overseas (50%), ExxonMobil Kazakhstan Ventures Inc. (25%), Kazakhstan through the national company KazMunayGas (20%) and LUKARCO (5%).

The Tengiz field, first discovered in 1979, has recoverable reserves estimated between 750 million and 1.1 billion tonnes (6 and 9 billion barrels).

UZBEKISTAN

Meanwhile, Lukoil will make capital investment totaling \$1.196 billion in the 2007-2042 period in the production-sharing project to explore and develop fields in the southwestern Gissar and Ustyurt regions in Uzbekistan, a highly placed source at Uzbekneftegaz, the national oil and gas company, told Interfax.

Uzbek President Islam Karimov has approved the main economic terms of the production-sharing agreement (PSA) on the fields, the source said.

Under its terms, the investor must make capital investment totaling \$369.6 million within five years of the PSA entering force. The figure includes the minimal geological exploration program amounting to \$21.8 million. Failure to meet the investment requirement will be grounds for dissolving the PSA.

It was reported earlier that Lukoil Overseas acquired the SNG Holding Ltd group in March 2008. The acquisition included Soyuzneftegaz Vostok Ltd, which is a participant in the PSA on southwestern Gissar and Ustyurt region. The deal was worth \$580 million. Uzbekneftegaz is the other participant in the PSA.

Investment in the project in 2008 totaled about \$67 million, according to Lukoil Overseas figures.

CZECH REFINERY

Lukoil might examine opportunities to acquire a stake in Czech refiner Ceska rafinerska if it receives such an offer, Vagit Alekperov told journalists.

"We will examine such an offer, if there is one," Alekperov said.

Czech newspaper Hospodarske noviny earlier reported that Lukoil might take a minority stake in Ceska rafinerska.

The newspaper reported that Czech petrochemical group Unipetrol, which is controlled by Polish PKN Orlen, has no plans to sell its controlling stake (51.22%) in the Ceska rafinerska facility, but might in future decide against exercising its preemptive rights, which would allow Lukoil to buy a minority stake.

Shell is selling a 16% stake and PKN Orlen, as the majority shareholder, might allow Lukoil to purchase it in exchange for a resumption of Russian crude deliveries to Lithuanian refiner Mazeikiu Nafta.

The PSA was signed in January 2007 for 36 years and entered force in April 2007. Forecast production volumes are 73.3 billion cubic meters of gas, 6.1 million tonnes of gas condensate and 904,000 tonnes of oil. Uzbekistan will receive from 55% to 80% of profit production, depending on the actual project margins.

However, Lukoil could meet a request by OJSC Gazprom and reduce its gas production in Uzbekistan owing to dwindling demand.

"We see a reduction of around 400 million-500 million cubic meters," Alekperov said in the interview with Bloomberg television.

Lukoil was earlier planning to produce 2.7 billion cubic meters (bcm) of gas this year in Uzbekistan.

Uzbekistan, Lukoil and Gazprom have already signed an agreement to supply 1.8 bcm in gas this year. Alekperov said that Gazprom was acting fairly when it asked independent gas producers to reduce their output in proportion to its own decrease.

It was earlier reported that Lukoil plans to produce over 12 bcm of gas a year in Uzbekistan. This rate could be achieved by 2011, the company said. In the autumn of 2007, Lukoil started producing gas in the country in the framework of the Kandym-Khauzak-Shady PSA. All gas exported from Uzbekistan goes through Gazprom's trunk pipeline system.

It was reported earlier that Italian Eni acquired a 16.7% stake in Ceska rafinerska (CeRa) from ConocoPhillips, which the U.S. firm had wanted to sell to Lukoil. Italian newspaper Il Sole 24 Ore reported that Eni paid about 500 million euro for the shares, doubling its stake in the refinery to 35%. Previously Unipetrol had announced its interest in the ConocoPhillips stake, having right of first refusal.

Polish daily Rzeczpospolita reported earlier in April that Lukoil is interested in cooperation with Polish top fuel firm PKN Orlen and the purchase of shares in the Polish company's assets in Lithuania and the Czech Republic.

Lukoil was unsuccessful in the tender on sale of Mazeikiu Nafta, which was owned by the now defunct Yukos and was sold to PKN Orlen in 2006.

U.S. GAS STATIONS

Alekperov also revealed that Lukoil is planning to sell 160 gas stations in the United States.

"The situation on the U.S. petroleum products market is very negative today for the owners of gas stations. We have allowed a few people to leave and sold several assets," he said.

At the same time, Alekperov said "we aren't planning to leave the U.S. market."

Lukoil owns more than 2,200 gas stations in the U.S. The Russian company acquired 779 of those stations in New Jersey and Pennsylvania from Conoco-Phillips for \$269.5 million in 2004.

The U.S. operator of Lukoil gas stations reached an agreement in February 2008 on the sale of 162 stations for \$138 million. The cost of each gas station was to total \$851,000 and the deal was to be finalized in May 2008. In June, however, Lukoil voided the agreement on the sale. Lukoil's press service told Interfax that the company is currently "restructuring its sales assets on U.S. territory."

Lukoil said in a US GAAP report that it posted losses of \$58 million in December 2008 due to the depreciation of its U.S. gas stations.

DIVIDENDS

Lukoil's dividend payments for 2008 will likely be close to the level the company paid for 2007, Alekperov told journalists on April 15.

Lukoil Vice President Leonid Fedun said the company is planning to pay dividends for 2008. The company's dividend policy envisions spending at least 15% of net profit on dividends, he said.

Elsewhere, Anatoly Moskalenko, the head of human resources at Lukoil, and his wife have purchased shares in the company worth \$1.5 million, Lukoil reported.

On April 8 Moskalenko purchased 25,080 shares for 36.14 million rubles and his wife purchased 10,889 shares for 15.756 million rubles.

GAZPROM NEFT'S NET PROFIT UP 12% IN 2008, Q4 LOSS AT \$543 MLN

MOSCOW. (Interfax) - OJSC Gazprom Neft has reported a net profit increase for 2008 of 12%. It has also increased its C1 explored reserves by almost 40 million tonnes after appointing DeGolyer and MacNaughton, which employs a somewhat different reserve accounting method to the previous auditor. Like many oil companies Gazprom Neft posted a significant fall in SEC reserves owing to decreasing oil prices. As a result, total profitable fields have also decreased owing to current prices. Meanwhile, Gazprom Neft will begin placing a fourth series of bonds totaling 10 billion rubles on April 21, twice the amount previously planned.

PROFIT

Gazprom Neft's net profit in 2008 increased by 12% to \$4.658 billion, the company said.

Analysts at ten investment banks and companies earlier told Interfax that the company's forecast net profit would come to \$5.076 billion, an increase of 23%.

For 2008, sales revenue increased by 52% to \$33.075 billion while EBITDA went up 28% to \$7.965 billion.

The increase in the company's financial results for 2008 were "driven by favorable price terms on foreign markets, increased refinement and sales of petroleum products in Russia, as well as managerial efforts to boost operational efficiency. Factors holding back profit growth were the increased tax burden, rising transport tariffs and power expenditures," the company said.

In the fourth quarter of 2008, the company posted a loss of \$543 million against profit of \$1.324 billion in the same period of 2007. Analysts put this figure at \$77 million.

The company's quarterly sales revenue went down by 24% to \$4.988 billion almost completely in line with an earlier forecast of \$4.969 billion while EBITDA fell by 88% to \$1.75 billion, topping the consensus forecast (\$204 million).

"The drop in financial results for the fourth quarter were driven by the sharp decrease in oil prices, the delayed drop in export duties and changes in currency rates. However, a positive result was achieved through the implementation of the company's anti-crisis program to reduce operational expenditures by 11% in comparison with the fourth quarter of 2008," the statement.

CASH RESERVES

Gazprom Neft had \$2 billion in cash reserves at the end of 2008, Vadim Yakovlev, the company's deputy CEO and general director of economics and finances, told Interfax.

The situation in the first half of 2008 was extremely favorable for us and for the industry as a whole, therefore we had accumulated a rather large amount of reserves for the company by the middle of 2008. As for the second half, there was no need to expect a sudden improvement in the situation with the plummeting oil prices, so Gazprom Neft took all measures to cut costs and optimize its investment program," he said.

The company managed "to do this rather quickly," he said, and the quick reaction to changes on the global market already was having an impact in the fourth quarter. The investment program for the fourth quarter was cut by about 15% compared to the initial plans for this period. Work with contractors resulted in the cost of services being cut by 10%-30% in rubles. This reduction was even more significant in dollars given the ruble's devaluation, he said.

PRODUCTION

Gazprom Neft will reduce total oil production by about 5% to 44 million tonnes in 2009 taking into account output by Slavneft and Tomskneft, Vadim Yakovlev, the company's deputy CEO and general director of economics and finances, told Interfax.

Gazprom Neft itself will produce 28 million-29 million tonnes of oil this year compared to 30.776 million tonnes in 2008.

"The planned reduction in output can be attributed to the fact that Gazprom Neft's fields, above all in the Noyabrsk district, are being depleted, while an increase in production at our main growing asset, the Prioskoye field, is not compensating for the decline. At the same time, we are actively working on raising oil yield and are using the entire arsenal of available technologies," he said.

OUTPUT

Gazprom Neft will see production decline in the period until 2012, excluding any possible acquisitions, Boris Zilbermint, the company's deputy general director for exploration and production, said during a conference call for investors.

"The main growth in production from the assets of Gazprom and our assets in Eastern Siberia is planned to take place after 2011-2012. There will be a slight decline in the organic plan of development until that time. But in the current situation, we are looking at many opportunities for non-organic growth that would keep us from lowering production," he said.

"The strategy that envisions growth in production to 80 million-100 million tonnes per year remains in force," he said.

"Having optimized spending, Gazprom Neft felt pretty comfortable in the second half of 2008. Our reserves declined throughout the second half, but not too dramatically - by about 20%. The reserves were at a rather comfortable level of \$2 billion at the end of 2008," he said.

These financial reserves enabled the company to pay off \$500 million in Eurobonds in January 2009 and close the acquisition of a controlling stock interest in Serbia's NIS for 400 million euros in February.

"The remaining reserves that we have today will let us feel calm regardless of the conditions on the market, both financially and in terms of commodities," he said.

The cash 'airbag' that has been set up will insure us in the event that there are sharp, unpredicted fluctuations in prices. In addition, it will provide a margin of safety for the future. Indeed, Gazprom Neft's strategy has not changed despite the crisis - it's a strategy of growing business," he said.

Asked about the company's business plan for 2009, he said Gazprom Neft compiled its investment plan at the end of 2008.

"At the time, three scenarios were considered: a moderate one (\$53 per barrel and 30 rubles/\$1), a pessimistic one (\$35 per barrel and 34 rubles/\$1) and an optimistic one (\$70 per barrel and 26 rubles/\$1). The base scenario for 2009 uses \$53 per barrel and 30 rubles/\$1. Capital expenditures are expected to total 88 billion rubles, of which 68 billion rubles will be our organic capex and 20 billion rubles will be investment for acquisitions and the reconstruction of [Serbia's] NIS," he said.

For comparison, the company planned for capex of 85 billion-90 billion rubles in 2008 and the business plan contained an oil forecast of \$91 per barrel, he said.

Commenting on plans to transfer Gazprom's oil assets to an oil subsidiary, he said the company has come up with a plan for their transfer. The first stage of this plan, which includes some of Russia's largest fields, is to be carried out before the end of the year.

Gazprom Neft officials did not provide specific details on the mechanism for transferring these assets, however they said the structure of the Gazprom Neft's shareholder capital will be taken into account at the moment such transactions are made.

Gazprom's purchase of Gazprom Neft shares from Eni "is not a starting or an end point for this process," he said.

In total, Gazprom could transfer Gazprom Neft oil fields with C1 reserves of 400 million tonnes of oil, Zilbermint said.

RESERVES

Gazprom Neft increased its C1 explored reserves by 39.6 million tonnes of oil and condensate in 2008 due to geological exploration, Gazprom said in a memorandum to investors for a Eurobond issue.

Gazprom Neft produced 30.776 million tonnes of oil and condensate in 2008.

The memorandum does not contain data on an audit of the reserves in accordance with international standards. It says that DeGolyer and MacNaughton is in the process of concluding an audit of the company's reserves and will publish the data in the near future. "We don't expect the appraisal of the group's reserves to differ significantly, or the difference in the methodology for appraising Gazprom Neft's reserves between Miller and Lents and DeGolyer and MacNaughton to lead to a considerable change in the appraisal of Gazprom Neft's reserves for 2008," the statement says.

Gazprom Neft's proven SEC reserves fell by 23% in 2008 to 3.247 billion barrels of oil equivalent, the company said in its financial reporting.

The company said in its financial reporting that this had been driven by a decrease in reserves from

production by 234 million barrels. A total of 722 million barrels had been written off following a revision of previous estimates and a transfer of reserves to a different category.

Many oil companies have also reported decreases in their SEC reserves owing to decreasing oil prices. As a result, total profitable fields have also decreased owing to current prices.

Gazprom Neft has traditionally worked with auditors such as Miller and Lents. Since 2008, the company's reserves have been reviewed by DeGolyer and MacNaughton, which employs a somewhat different reserve accounting method than the previous auditor.

DeGolyer and MacNaughton won a tender to independently audit the company's hydrocarbon reserves in accordance with international standards each year from 2008-2010 for the needs of Gazprom as well as its subsidiaries and affiliates. The previous appraisal made by DeGolyer and MacNaughton in 2005 showed a significant decline in reserves, after which the company returned to Miller and Lents.

RUBLE-BOND PLACEMENT

Meanwhile, Gazprom Neft will begin placing a fourth series of bonds totaling 10 billion rubles on April 21, the oil major said in a statement.

Gazprom Neft had previously planned to place 5 billion rubles in bonds.

"The company decided to place 10 billion rubles in bonds since the demand among investors during the marketing phase was higher than the volume that was announced originally," a representative of one of the issue organizers told Interfax.

The bonds are for 10 years (3,640 days).

DIVIDENDS

Gazprom Neft could cut dividend payments for 2008 to 10%-25% of its consolidated net profit, Vadim Yakovlev, the company's deputy CEO and general director of economics and finances, told Interfax.

The company spent about 26% of its consolidated net profit for 2007 on dividends, a rather high level for the oil industry, he said.

"No final decision has been made for 2008. The Gazprom Neft board of directors will issue its recommendations in May for approval at the annual general meeting," he said.

"We aren't ruling out the possibility that the size of dividend payments for 2008 could fall compared to 2007 and range from 10%-25% of US GAAP con-

The Federal Financial Market Service (FFMS) registered a series of five bond issues totaling 35 billion rubles on April 14. The first consists of 5 billion rubles in five-year bonds, the second - 7 billion rubles in five-year bonds, the third - 8 billion rubles in seven-year bonds, the fourth - 10 billion rubles in 10-year bonds, and the fifth - 5 billion rubles in 10-year bonds.

None of the bonds have been offered so far.

Gazprombank and Renaissance Capital organized the issue.

solidated net profit. Firstly, the company's development strategy envisions long-term growth, and this means that Gazprom Neft needs to invest in business. Secondly, Gazprom Neft spent considerable funds on the acquisition of NIS," he said.

Commenting on the plans for an option program for the company's management, Yakovlev said, "These plans remain pertinent. During crises, the need for a long-term motivational program for management only increases. We continue to discuss it with our main shareholder, Gazprom, but it would be too early to talk about the specific parameters of this program. We hope that this issue will be resolved in 2009," he said.

TURKMENISTAN ACCUSES GAZPROM AFFILIATE OF CREATING CONDITIONS FOR PIPELINE ACCIDENT

ASHGABAT. (Interfax) - Gazexport, an affiliate of Russian gas giant Gazprom, was this week blamed for creating the conditions leading to a blast which stopped in full the delivery of Turkmen gas to Russia. Ashgabat claims an accident on the SATS-4 gas pipeline was caused by a sharp decrease in gas volumes being taken by Gazexport, which it says it was not notified about. Turkmen President Gurbanguly Berdimuhamedow has called on the Russian side to foot the bill.

BLAME

The Turkmen Foreign Ministry has accused a Russian company of creating conditions for an accident on the SATS-4 gas pipeline, which led to the full stoppage of Turkmen gas supplies to Russia.

"On April 8, 2009, the Russian company Gazexport sharply cut the volume of the imported Turkmen natural gas without previously notifying the Turkmen side. As a result, an accident occurred on a section of the SATS-4 gas pipeline through which Turkmen natural gas is shipped to Russia," the Turkmen Foreign Ministry said.

The Turkmen Foreign Ministry called the Russian steps "injudicious and irresponsible, because this has primarily posed a real threat to people's lives and health and is fraught with unpredictable environmental consequences."

"At the same time, this approach is a unilateral gross violation of the gas sales contract," the Foreign Ministry said.

"Proceeding from the aforesaid, Turkmenistan expects the management of relevant Russian companies to thoroughly look into the incident, including actions of its workers, and take all necessary measures to prevent such incidents from happening again," it said in the first official statement since the accident took place.

The Turkmen Foreign Ministry called Gazprom's earlier comments on the incident "lopsided."

REDUCTIONS

The decline in demand for gas has prompted Gazprom to significantly reduce gas production. The company's current production is lower than the average daily March 2008 production by about one third. Gazprom has also reduced the use of gas from underground storage facilities and its purchases from independent producers.

Turkmenistan has been selling its gas to Gazprom at a price calculated under a European formula since the start of 2009.

Gazprom increased gas production to 1.139 billion cubic meters on April 9, 40 million cubic meters more than it produced on the previous day, the Fuel and Energy Central Dispatch Center said.

The increase is in response to the rupture on the SATS-4 gas pipeline in Turkmenistan late on the night

Turkmenistan is not the main culprit in the SATS-4 gas pipeline accident in its territory, because Russia failed to notify the Turkmen gas transportation companies in due time about reducing its gas offtake rates, the Turkmen Foreign Ministry said on April 9.

"The letter received from Gazprom Export in Turkmenistan by the end of April 7 cannot be regarded as an early notice as the Russian company's gas offtake rates had already dropped significantly by 11 a.m. on April 8," the foreign ministry said.

"It is well known that any changes in the amount of natural gas supplied in significant quantities through the main pipelines should be preceded by at least a one-week notice," the Turkmen foreign ministry said.

"This is necessary to allow some time to prepare gas wells and all parts of the gas transportation infrastructure for technical changes in the way they operate. In the overwhelming majority of cases ignoring these circumstances results in accidents and the failure of the whole pipeline network. This is exactly what happened at the Turkmen section of the SATS-4 gas pipeline in the early hours of April 9, 2009," the statement said.

"Turkmenistan reiterates that the accident was the result of a gross violation by Russian company Gazprom Export of the natural gas purchase regulations," the statement said

of April 8 that completely shut off deliveries of Turkmen gas to Russia.

The season for drawing gas from underground storage ended in March. Thus, Gazprom's only option was to boost production.

The additional production on April 9 roughly equals the amount delivered by Turkmenistan. It is also about the same amount of gas as Rosneft and Surgutneftegas produce each day.

Gazprom's production hovered in the range 1.098 billion-1.103 billion cubic meters a day from April 2 through April 8. On April 7-8 production amounted to 1.098 billion-1.099 billion cubic meters a day.

BERDIMUHAMEDOW

The parties responsible for a gas pipeline accident in Turkmenistan that shut down exports to Russia should pay for the costs of repairs, Turkmen President Gurbanguly Berdimuhamedow said at a government meeting on April 13.

"We are not going to risk our reputation as a reliable supplier of energy to global markets. We invite group of independent experts to determine the causes of the gas pipeline blast. After the specialists reach their conclusion, the party responsible should assume the costs of the repairs and cleanup. If we turn out to be responsible, then we ourselves will take care of the problems that arose. But in the event Gazprom is responsible, it should assume the cost of repairing the gas pipeline and compensating the losses caused to our country," Berdimuhamedow said.

The president instructed Deputy Prime Minister Tachberdy Tagyev, who heads the oil and gas sector, to carry out a thorough investigation into the cause of the accident on the SATs-4 pipeline, together with specialists from Gazprom.

The state gives priority to the development of the oil and gas sector and provides a lot of funding for this, he said.

"Having initiated a number of regional and inter-regional projects to take its energy resources to the world markets, Turkmenistan, which adheres to the principles of reliable partnership, has begun a comprehensive technical re-equipment of the oil and gas industry and the creation of a reliable system to transport fuel to foreign consumers," he said.

NO POLITICS

Russian Foreign Minister Sergei Lavrov denied on April 10 that there were any politics behind a pipeline accident in Turkmenistan that resulted in the Central Asian country halting gas supplies to Russia.

"It is a purely technological accident. Specialists are looking into it. I expect that it will all be put right quickly," he told reporters.

Media reports had said the cause of the accident had been that Russia's Gazprom had cut its imports of Turkmen gas by between 90% and 95%.

"I haven't heard of any 95%," Lavrov said. He said "our and Turkmen specialists" were trying to mend the pipeline.

An important part of this program is modernization of the industrial infrastructure of interstate pipelines, including the Central Asia-Center pipeline, which carries Turkmen gas in the northern direction.

Over the past two years, four powerful gas compressor stations were commissioned and the foundations of new compressor stations and other large objects were laid down on the routes of interstate gas pipelines equipped with automated control systems, he said. Some \$1 billion was spent on this work, he said.

"Using the recent achievements of science, progressive technologies, and the newest technical developments, we will continue comprehensive development and improvement of the basic industry of the national economy and closely follow all obligations we assumed in connection with long-term interstate agreements on cooperation in the gas industry," the president said.

According to Turkmen media reports, a Turkmen delegation led by Turkmengaz President Baimyrat Khodzhamuhamedow has left for Iran for negotiations on the price of Turkmen gas supplied in the second half of 2009.

Iran is the second largest importer of Turkmen gas after Russia. It purchases some 8 billion cubic meters of gas each year, and the price of the gas has never been advertised.

Turkmenistan had been selling gas to Gazprom under a "European" gas price formula since the beginning of the year

Lavrov also commented on talks on a planned Russian-Turkmen agreement concerning a project to lay what would be called the East-West Gas Pipeline.

"Issues relating to building up gas transportation infrastructures on the territory of sovereign states are dealt with on the basis of decisions that those states make. Russia will consider issues of its participation depending on the possibility of foreign partners being involved," he said.

Moscow hopes that the dispute over the gas pipeline accident in Turkmenistan will be resolved.

"Hopefully, Gazprom and Turkmenistan will resolve all their controversies," a source at the Russian foreign Ministry's Department of Information and Press told Interfax on April 10.

BLAST

Turkmenistan fully halted gas supplies in the direction of Russia due to an explosion on the Central Asia - Center pipeline, which occurred near the Uzbek border late on April 8, sources in the Central Asian oil and gas industry told Interfax.

The explosion occurred of the 487th km of the Central Asia - Center pipeline on the Ilyaly-Daryalyk section on the territory of Turkmenistan at 8:18 p.m. local time on April 8, a source in the national holding company Uzbekneftegaz told Interfax. The source said it had no information on the cause of the blast.

Sources in the Kazakh oil and gas sector told Interfax the gas supplies via the Central Asia - Center pipeline have been fully halted and it will take at last three days to repair the pipe.

Turkmenistan so far is not commenting on the explosion. The concern Turkmenengaz has told Interfax it has no information on the issue.

Gazprom confirmed the suspension of gas deliveries from Turkmenistan because of a pipeline rupture.

"Turkmenengaz informed Gazprom on the morning of April 9 that a rupture and a fire occurred at the 487th kilometer of the Davletbat-Dariyalyk gas pipeline at 1:32 a.m. There has been no delivery of Turkmen gas to Russia since then," the company said.

Turkmenistan is considering the soonest cleanup of the accident aftereffects and the delivery of gas through unused lines of the Central Asia - Center pipeline network.

"The accident will have no effect on gas deliveries to Gazprom buyers," the company said.

Gazprom Deputy Chief Executive Valery Golubev is flying to Turkmenistan to discuss the situation with gas supplies, Golubev told reporters on April 9 on the sidelines of the forum on Russian Fuel & Energy in the 21st Century.

OIL**RUSSIAN COMPANIES, ENI TO DEVELOP OIL INFRASTRUCTURE IN RUSSIA**

MOSCOW. (Interfax) - The Russian companies Stroytransgaz, Rosneft, Transneft, Zarubezhneft, and Inter RAO together with Italy's ENI will be engaged in the implementation of infrastructural projects in Russia, Stroytransgaz Chairman Alexander Ryazanov told journalists on April 11.

The aforesaid Russian companies earlier concluded a joint agreement with ENI. "The matter involves our company's possible involvement in major projects concerning the construction of oil platforms, the building of pipelines, and the construction of oil refineries," Ryazanov said.

"We need technology that we don't possess," he said.

Such projects should be implemented chiefly on the Arctic shelf, he said.

It was reported earlier that Transneft, Zarubezhneft, Stroytransgaz, Rosneft, Inter RAO and ENI signed a memorandum on mutual understanding last week.

The document envisions a broad cooperation program in the Russian energy sector and outside it, ENI said in a press release.

PRICE FOR RUSSIAN OIL TO CHINA TIED TO MARKET PRICE AT PRIMORSK

MOSCOW. (Interfax) - The price formula for the Russian oil to be shipped to China, will be tied to the market price by the moment the oil is shipped at Port Primorsk in the Leningrad region, Deputy Energy Minister Anatoly Yanovsky has announced.

"The price formula is absolutely transparent, and will be as if this oil were sold at Primorsk at an open price," he said.

Russia and China signed an agreement in Beijing on February 17 on credits for Rosneft and Transneft worth \$25 billion in exchange for long-term oil shipments from Russia to China via a branch of the East Siberia - Pacific Ocean pipeline system (ESPO). Under the agreement, Rosneft will get \$15 billion in exchange for shipping 15 million tonnes of oil each year for 20 years, and Transneft will get \$10 billion.

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ROSNEFT REPAYS VEB \$577-MLN LOAN AHEAD OF SCHEDULE

MOSCOW. (Interfax) - Rosneft has repaid ahead of schedule a loan for \$577 million that it received from the Bank for Development and Foreign Economic Affairs (Vnesheconombank, VEB) in the fourth quarter of 2008, the company said in a statement.

VEB issued Rosneft the one-year loan at an interest rate of Libor + 5% so it could repay loans it acquired from foreign investors as part of the federal

law on additional measures to support the Russian financial system.

Commenting on the repayment of the loan, Rosneft President Sergei Bogdanchikov said: "The early repayment of the loan to VEB was made from funds the company earned in the first quarter of this year and is based on a desire to return funds provided by the state in the shortest time possible."

LUKOIL OPENS TWO FIELDS IN SAUDI ARABIA

MOSCOW. (Interfax) - Lukoil has opened two fields in Saudi Arabia, Lukoil President Vagit Alekperov told journalists on April 9.

"We have discovered two gas condensate fields at our block," he said.

The two fields have C1 + C2 reserves of 70 million tonnes of condensate and 300 billion cubic meters of gas, he said.

The reserves indicate the fields could be profitable, he said. The company will need another two and a half years to carry out a full appraisal, he said. "After that, we'll start developing the project," he said.

Alekperov also said he recently met with the Saudi Arabian oil minister during a visit to this country.

"We hope that this project will be successful," he said.

LUKOIL TO SPEND 15% OF LAST YEAR'S NET PROFIT ON DIVIDENDS

MOSCOW. (Interfax) - Lukoil will spend 15% of last year's net profit on dividend payments, Lukoil President Vagit Alekperov told journalists on April 9.

Lukoil calculates dividend payments based on its US GAAP net profit, which totaled \$9.144 billion in

2008. Based on the U.S. dollar's current exchange rate, the company could pay out a dividend of 54 rubles per share. Lukoil paid 42 rubles per share for 2007.

NO NEW CANDIDATES TO HEAD TNK-BP HAVE APPEARED - FRIDMAN

MOSCOW. (Interfax) - No new candidates for the top job at TNK-BP have appeared, board chairman Mikhail Fridman told Interfax on April 15.

"There are no new candidates for now. I haven't heard anything about it," he said.

It was reported earlier that the former head of MMC Norilsk Nickel Denis Morozov was a leading contender for the job. TNK-BP held talks with Morozov which later halted due to differences over compensation. The Times of London later reported that the differences have been settled and the talks have resumed.

Tim Summers, currently the interim CEO of TNK-BP, might appear to be a potential candidate. However, at the end of March TNK-BP shareholder

Viktor Vekselberg said he did not consider Summers a realistic candidate for the CEO slot. Vekselberg also said the company was continuing work on to select a candidate.

Summers' contract expires in June. The shareholders are expected to make a decision on the new head of the company before the end of the month.

It was reported earlier that former TNK-BP president and CEO Robert Dudley resigned effective December 1, 2008 in line with a memorandum of understanding signed by AAR, the consortium of Russian shareholders, and BP. The appointment of a new CEO was one of the main conditions for settling the boardroom battle at the company that raged from the spring to fall of 2008.

TNK-BP PREPARES OFFER FOR SIBIR ENERGY - TIMES

LONDON. (Interfax) - TNK-BP is preparing an offer to purchase Sibir Energy, a UK-listed company that produces oil in Russia, the Times of London reported on April 12.

The offer, totaling 2.3 billion pounds sterling (\$3.4 billion), is more than double Sibir Energy's latest market capitalization.

German Khan, the executive director of TNK-BP, "is understood to have begun canvassing investors in the past month to gauge whether they would accept a 6-pound-per-share offer," the Times said. Khan has held informal talks with several UK institutions as well as with Sberbank, which holds about 47% of the shares as collateral for loans made to Sibir's two largest shareholders, it said.

"The deal would represent a significant premium to the 174p price Sibir last traded before its shares were suspended in February. It is understood to have been well received by investors," the newspaper said.

Officials for the city of Moscow, which owns a substantial stake in Sibir, are aware of TNK-BP's desire to acquire 100% of the company, but do not plan to sell the city's stake. "We held consultations with another shareholder - Igor Kesaev - and decided that our strategic task is to retain our stakes," Vladimir Silkin, head of the city's property department, told the business daily Kommersant on April 13.

DENIAL

The board of directors at Sibir Energy has never held negotiations with TNK-BP and has not received any proposals from the British-Russian joint venture on the purchase of Sibir, the company said in a statement.

"The board of directors confirms that it has not held talks and not received any kind of proposal from TNK-BP," the statement says.

The Times of London reported on Sunday that TNK-BP was preparing an offer to purchase Sibir Energy, a UK-listed company that produces oil in Russia. The offer, totaling 2.3 billion pounds sterling (\$3.4 billion), is more than double Sibir Energy's latest market capitalization.

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Spokesmen for Kesaev and TNK-BP declined to comment on the Times report.

The city of Moscow owns 18% of shares in Sibir and Bennfield Limited (controlled by Chalva Tchigirinski and Igor Kesaev) has 47%. The remaining shares are held by a number of international investment funds and individual investors.

Sibir filed suit against Tchigirinski and Henry Cameron in superior court in London to recover \$328 million, charging that the two former company officers manipulated share prices in the period October 15-31, 2008. Trading in Sibir shares in London is currently suspended.

Sibir has retained Jones Day and Ernst & Young to investigate the business relations between the company and Tchigirinski. The company agreed to purchase the Sovetskaya Hotel and a land plot along Leningradsky Prospekt in Moscow from Tchigirinski last year and provided \$115 million in earnest money. But the agreement was subsequently canceled. It is estimated Tchigirinski now owes the company about \$325 million.

The 23.3% of Sibir shares owned by Tchigirinski are currently pledged to Sberbank as security. Sberbank also holds Kesaev's stake.

TNK-BP is Russia's third largest oil company. It produced about 70.5 million tonnes of oil and 11 billion cubic meters of gas in 2008.

The newspaper said investors had welcomed TNK-BP's proposal. Officials for the city of Moscow, which owns an 18.03% stake in Sibir, are aware of TNK-BP's desire to acquire 100% of the company, but do not plan to sell the city's stake.

Acting Sibir Energy CEO Stuart Detmer told Interfax that the company had never held such talks with TNK-BP and declined comment on the shareholders' actions.

Sibir Energy explores and produces hydrocarbons in Russia's Khanty-Mansiisk Autonomous District, where it owns 95% of shares in OJSC Magma and 50% of Salym Petroleum Development. The company also owns a controlling stake in Moscow Oil Refinery (51% of ordinary shares, 38.4% of charter capital), which have been contributed to a joint venture with Gazprom Neft, Moscow NPZ Holdings B.V., which holds 90.02% of shares in the refinery. Sibir also has 100% of Moscow Fuel Company and 69.94% in Mosnefteprodukt.

Sibir Energy boosted oil production 42% in 2008 to 25.3 million barrels.

SISTEMA FINALIZES PURCHASE OF CONTROLLING STAKE IN BASHKIR ENERGY COMPANIES

MOSCOW. (Interfax) - AFK Sistema has finalized the acquisition of controlling stock interests in oil companies based in the Republic of Bashkortostan, the company said in a statement.

"AFK Sistema today completed a transaction on the purchase of controlling stock interests in companies working in the Bashkir fuel and energy sector and finalized the transfer of the first tranche of funds totaling \$2 billion for payment to the owners - Agidel-Invest, Ural-Invest, Inzer-Invest and Yuryuzan-Invest," the statement says.

Taking into account the stakes Sistema already owns in the companies, the corporation now owns a 76.52% stake in Bashneft, a 65.78% stake in Ufaneftechim, an 87.23% stake in Novoil, a 73.02% stake in Ufaorgsintez, a 78.49% stake in Ufimsky NPZ and a 73.33% stake in Bashkirnefteproduct.

Under the terms of the deal, the previous owners will receive another tranche of \$0.5 billion in 14 months.

Sistema will also receive a number of the sector's non-core assets, the largest of which is a 50.17% stake in Bashkirenergo.

It was reported earlier that the deal was financed with a seven-year loan from VTB for \$2 billion secured with 17% of shares in Mobile TeleSystems

(MTS), Sistema's biggest subsidiary, as well as all the shares acquired in the Bashkir fuel and energy companies. VTB also financed the deal three years ago, and holds minority stakes as security.

Within four months Sistema is to make an offer to buy out minority shareholders. Sistema estimates the offer will cost about \$0.5 billion.

It will require \$1 billion in all for the offer and to pay a second tranche: the company already has preliminary agreement with a host of financial institutions to borrow that sum and talks are currently proceeding.

Sistema plans to form the Bashkir companies into a vertically integrated oil company that is to become one of the "biggest and most high tech players in the Russian oil sector."

Capital investment in the Bashkir companies over the coming five years will total \$1 billion-\$1.5 billion. Sistema will adopt its development strategy for the new assets in the second quarter.

Sistema officials said there are no plans to resell the assets.

The Bashkir companies had revenue of about \$7.5 billion in 2008 and Bashneft produced 11.7 million tonnes last year. Ufaneftechim refined 6.5 million tonnes of oil, Ufimsky NPZ - 7.4 million tonnes and Novoil - 7.1 million tonnes.

OMV CLOSES SALE OF 21.2% OF MOL TO RUSSIA'S SURGUTNEFTEGAS FOR EUR1.4 BLN

MOSCOW. (Interfax) - Austria's OMV has completed the sale of 21.22% of Hungarian oil and gas company MOL to Russia's Surgutneftegas for EUR1.4 billion, OMV said in a statement on April 9.

OMV no longer owns shares in MOL, the company said.

Meanwhile, the politicizing of the Surgutneftegaz purchase of OMV's stake in MOL is counterproductive, Russian Foreign Ministry spokesman Andrei Nesterenko said on April 9.

"We believe that deliberate attempts to politicize the companies' actions are counterproductive," he said.

Hopefully, the Hungarian government will ensure "the most favorable conditions for Surgutneftegaz' investment in MOL, which are being enjoyed by other shareholders of this company, both Hungarian and foreign," Nesterenko said.

"Such an approach will be in total agreement with the principles set out in the bilateral agreement on the mutual protection of investment," said the Foreign Ministry spokesman, adding that it is these principles that Russia is being governed by when it comes to Hungary, including MOL's investment in Russia.

Nesterenko's comments come one day after Hungary's president Laszlo Solyom expressed his concern over the acquisition of a 21% stake in the country's top oil firm MOL by Russia's Surgutneftegas, citing worries over the deal's methods and its potential effects.

"[The president] indicated that he will ask the government to take into account the security of energy supply and the possible effects of the transaction during the course of any future steps it plans to take regarding the deal," the president's office said in a statement after Solyom's meeting with MOL CEO Zsolt Hernadi.

Solyom is just one on a long list of officials who have criticized the deal, including MOL's management, the Hungarian government, and the European Union.

It was reported earlier that Surgutneftegaz signed a 1.4 billion euro deal on the purchase of a 21.22% stake in MOL from Austrian group OMV late last March, with April 8 being the target date to close the deal.

MOL saw it as an unfriendly deal. The Hungarian company accused the Austrian rival of complicity with Surgutneftegaz and buying shares for the Russian company.

RUSSNEFT BOOSTS CONSOLIDATED REVENUE 20% IN 2008

MOSCOW. (Interfax) - RussNeft increased consolidated sales revenue 20% to an all-time high of \$8.09 billion in 2008, the oil company said in a press release.

RussNeft said the growth in revenue could be attributed to favorable prices on global oil and petroleum product markets as well as an increase in refining volumes.

The company edged up oil production 0.6% to 14.2 million tonnes in 2008.

RussNeft carried out drilling programs in Western Siberia and Udmurtia in 2008 and also opened the Verkhne-Shapshinskoye and Yuzhno-Roslavl'skoye fields, both of which are in Western Siberia. Total production from the new wells has exceeded 1.1 million tonnes with average oil yield totaling 59.9 tonnes per day. Investment in exploration and production drilling surpassed \$257 million in 2008.

The company grew its raw materials resource base by more than 20 million tonnes in 2008, which is 5% higher than the growth seen in 2007.

RussNeft opened the Luzyaninskoye field in the Saratov region last year as well as new deposits at the Tagrinskoye and Roslavl'skoye fields in the Khanty-Mansiisk autonomous district, the Belokamennoye field in the Saratov region and the Gurarinskoye field in the Tomsk region.

Oil refining at RussNeft refineries increased 2.4% to 7.5 million tonnes in 2008. This growth was above all the result of \$40 million in upgrades to the company's refineries.

Sales of petroleum products via the company's sales network grew 11% to 650,800 tonnes last year.

RussNeft also said that it resolved all tax claims it faced in 2008. The company paid a total of \$3.6 billion to various budgets, including debt on tax payments.

Management plans to reduce production costs in 2009 and stabilize the company's financial standing by carrying out several anti-crisis measures and completing an asset restructuring program, the press release says. The company will focus on fields with stable growth in production levels.

The company will continue to invest in the modernization of its refineries in 2009 to bring the depth of oil refining to 92%, the press release says.

According to a report by Miller and Lents, RussNeft had reserves of 1.713 billion barrels of oil equivalent as of January 1, 2008, including 213.2 million tonnes of oil and 25 billion cubic meters (bcm) of gas. ABC1+C2 recoverable reserves total 588 million tonnes of oil and 86 bcm of gas.

WSR BOOSTS OIL PRODUCTION 5% IN Q1; REFINING DOWN 20%

MOSCOW. (Interfax) - West Siberian Resources (WSR), an independent oil producer with vertically integrated operations in Russia, boosted oil production 5% to 4.2 million barrels in the first quarter of 2009, the company said in a press release.

Production doubled to 1.9 million barrels in the Volga-Urals region and increased 10% to 1.3 million barrels Timan Pechora, but fell 5% to 1 million barrels in Tomsk region. The company produced 100,000 tonnes of crude oil in Kazakhstan.

Refining fell 20% to 5.2 million barrels (0.7 million tonnes) at WSR's Khabarovsk Oil Refinery.

However, refinery performance and wholesale markets "exceeded our expectations, WSR head Arsen Idrisov is quoted in the press release as saying.

"We expect to slightly reduce refining volumes in coming weeks," Idrisov said.

The company performed workover or repairs on 79 wells in the quarter and drilling commenced at the Kovalevskoye field in the Volga-Urals region.

WSR completed a merger with Alliance Oil Company in April 2008. As a result of the merger, Alliance became a WSR subsidiary, while the Alliance Group received a controlling stock interest in WSR.

WSR explores and develops hydrocarbons in the Komi Republic, Tomsk region and the Volga-Urals region.

Alliance Oil Company controls the Khabarovsk Oil Refinery as well as a major filling station chain in Khabarovsk region. A production subsidiary, Tatnefteotdacha, is the operator for oil exploration and production at the Begaidarsky block in Kazakhstan.

The Khabarovsk refinery reduced processing 28% in the fourth quarter of 2008 compared with the third quarter to 4.9 million barrels. The refinery planned to maintain volumes in the first quarter at the level of the fourth quarter of 2008.

In 2008 the downstream segment generated over 80% of WSR revenue.

NEW PRESIDENT APPOINTED AT MOSCOW OIL & GAS COMPANY

MOSCOW. (Interfax) - Shareholders in Moscow Oil & Gas Company (MOGC) relieved Shalva Chigirinsky of his duties as company president at an extraordinary general meeting on March 20, MOGC said in a statement.

Viktor Shevchuk has been appointed the new president of the company and started working on April 2.

Shevchuk came to MOGC from Chornomor-naftogaz, where he served as general director.

Shevchuk is also one of the founders of Russian oil company Zarubezhneft and served as general director of the company from 1985-1989.

Moscow Oil and Gas Company is a wholly owned subsidiary of the UK's Sibir Energy plc. Shareholders in Sibir Energy include the City of Moscow with 18% and Bennfield Limited (controlled by Shalva Chigirinsky and Igor Kesayev) with 47%. The remaining shares are held by a number of international investment funds and individual investors.

UKRNAFTA REDUCES OIL PRODUCTION 5.4% IN JAN-MAR; GAS PRODUCTION DOWN 1.1%;

KYIV. (Interfax) - Ukrnafta, Ukraine's largest oil producer, reduced oil and gas condensate production 5.4% to 727,900 tonnes in January-March 2009 compared to the same period last year, the Fuel and Energy Ministry told Interfax.

Gas production fell 1.1% to 785 million cubic meters.

The company added four wells to production in the period (two oil wells and two gas wells). Drilling in the quarter totaled 25,100 meters, 6.7% less than in the same period last year.

Liquefied gas production rose 2.2% year-on-year to 50,100 tonnes and output of light fractions (stable natural gasoline) was up 2.6% to 64,100 tonnes.

Ukrnafta produced 3.057 million tonnes of oil and gas condensate in 2008, 3.29% less than in 2007. Gas production fell 2.22% to 3.166 billion cubic meters.

Naftogaz Ukraine owns 50% plus one share in Ukrnafta. A group of companies affiliated with shareholders in Privatbank has about 42%.

KAZAKHSTAN TO GET ACCESS TO OPEC ANALYTICAL INFORMATION

ASTANA. (Interfax) - Kazakhstan will get access to the analytical information of the Organization of Petroleum Exporting Countries (OPEC), the Kazakh Foreign Ministry said in a report on April 10.

Erzhan Kasykhanov, Kazakhstan's permanent representative in international organizations in Vienna, reached an agreement to this effect with OPEC General Secretary Abdalla Salem El-Badri in Vienna on Wednesday, the report says.

During that meeting, El-Badri expressed an interest on the part of OPEC in expanding bilateral cooperation with Kazakhstan and invited Kazakhstan to take part in OPEC conference sessions as an observer, the says document.

OPEC comprises 12 countries; Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the UAE, and Venezuela.

TATNEFT REMOVES ITSELF FROM LIST OF KEY ENTERPRISES

MOSCOW. (Interfax) - Tatneft, one of Russia's 10 largest oil companies and a company included on the list of key enterprises at the end of last year, has decided against accepting state assistance.

Tatneft decided to remove itself from the list, First Deputy General Director Nail Ibragimov told Interfax.

Tatneft currently needs money to invest in growth, but the state program of assistance for key enterprises will not provide funds for that purpose, he said.

Tatneft is not in need of funds to finance current operations, while the state will not provide investment loans in the amount needed. In addition, participation in the program involves additional monitoring on the part of the state.

"We tried to participate in the government program within the list of enterprises. We made it there, but then withdrew. We need more money [than the state would have offered under the program]. The monitoring of the enterprises that results is serious," Ibragimov said.

Commenting on Tatneft operations in crisis conditions, Ibragimov said: "We took out a lot of loans 10 years ago and found ourselves in a difficult situation. It was a real wakeup call. We were ready for the crisis that arrived last year. We don't need loans to sustain current operations."

Tatneft's main financing goal is construction of oil refining and petrochemical facilities in Nizhnekamsk. "The [cost] constantly changes, but it's somewhere around \$3 billion-\$5 billion," he said.

Tatneft is studying opportunities to raise the money. It but will not apply with Russian banks. Instead it plans to borrow on foreign markets.

Tatneft paid 30% of net profit as dividends for 2007 and expects to pay out about the same percentage for 2008, he said.

However, Tatneft's net last year "fell by approximately 33%," Ibragimov said. Thus, the 2008 dividend may be lower.

It was reported earlier that Tatneft's shareholders will hold their annual meeting on June 26 in Almatyevsk.

AZNEFT BOOSTS GAS PRODUCTION 1.5% IN Q1

BAKU. (Interfax) - Azneft, an upstream unit in the State Oil Company of the Azerbaijani Republic (SOCAR) group, produced 1.905 billion cubic meters (bcm) in the first quarter of 2009, 1.5% more than in the same period last year, SOCAR told Interfax.

Azneft received 159.39 million cubic meters from its participation in the Shah Deniz project and 18.92

million cubic meters from joint ventures and operating companies developing onshore fields.

In addition, the company received 1.054 bcm of associated gas from the Azeri-Chirag-Gunashli project. SOCAR also purchased 324.57 million cubic meters of gas extracted at Shah Deniz.

OIL REFINING

ROSNEFT, CNPC TO START CONSTRUCTION ON TIANJIN REFINERY IN Q2

TIANJIN. (Interfax) - Dongfang Petrochemical, a joint venture between state-owned Russian oil company Rosneft and China National Petroleum Corp. (CNPC), will start construction on a refinery in Tianjin Municipality in the second half of this year, governmental and company officials told Interfax on April 9.

The RMB 21 billion (\$3.07 billion) refinery, which will be built in the Tianjin Harbor Industrial Park (THIP), will have an annual crude oil processing capacity of 10 million tonnes, said Zhang Dongsheng,

a senior official with the Tianjin Development and Reform Commission, at Lnoppen's 4th Annual Petrochemical Summit in Tianjin. Zhang did not say when construction would be completed.

Hu Jie, head engineer with CNPC's listed arm PetroChina Co. Ltd., said that the refinery will source its crude oil from Kazakhstan.

CNPC controls a 51 percent stake in the joint venture, while Rosneft owns the remaining 49 percent, according to CNPC.

GAZPROM NEFT, TNK-BP DIVVY UP SLAVNEFT RETAIL CHAIN IN BELARUS

MINSK. (Interfax) - Gazprom Neft and TNK-BP could complete the process of dividing up Slavneft's retail chain in Belarus this autumn, a representative of Slavneft-Start told Interfax.

"The sharing out of Slavneft-Start assets, oil product arrangements and cash flows could be completed in autumn this year," the company representative said.

Slavneft's retail network in Belarus includes 75 filling stations and 12 depots. Slavneft-Start refined 2.625 million tonnes of oil in 2008 (about 12% of total refining in Belarus) and 450,000 tonnes in the first quarter of 2009 (8%).

Gazprom Neft and TNK-BP have already begun practical work on dividing up the assets. The two shareholders in Slavneft have reached agreement with the Belarusian government.

After the division is completed, TNK-BP and Gazprom Neft might operate the filling stations under their own brands, he said.

It was reported earlier that TNK-BP and Gazprom Neft divided up Slavneft's retail chain in Russia last year.

Slavneft owns a 42.5% stake in the Mozyr Oil Refinery, one of two Belarusian refineries with capacity for over 10 million tonnes of crude oil a year.

The division in Belarus is complicated by the agreement with the government that requires the two Slavneft shareholders to participate equally in construction of a catalytic cracking complex at the Mozyr refinery. The agreement calls for their participation in the refinery's equity to continue until investment in the project is recovered.

Slavneft guaranteed the matter by leaving a promissory note in force that prevents a formal completion of settlements between Slavneft and the state; For the

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time being, the ownership of the Mozyr refinery cannot change.

The Belarusian government owns 42.7% of shares in Mozyr Oil Refinery, Slavneft has 42.5% and 12.15% are held by state-owned MNPZ LLC.

TNK-BP and Gazprom Neft have equal, 50% stakes in Slavneft.

SALAVATNEFTEORGSIINTEZ TO INVEST 100 BLN RUBLES BEFORE 2015

UFA. (Interfax) - Salavatnefteorgsintez, one of Russia's three biggest petrochemicals plants and part of LLC Gazprom Processing, will have an investment program totaling 100 billion rubles in the period until 2015, Gazprom CEO Alexei Miller said on April 10.

"We have very ambitious plans. Salavatnefteorgsintez's investment program for new projects envisions 100 billion rubles for the period prior to 2015," he said.

The plant will develop oil refining capacity and petrochemical production, he said.

Gazprom Processing will remain a shareholder in Salavatnefteorgsintez, Miller said.

"Issues related to optimization are important, particularly in crisis times, but we continue to work and are guided by the structure that has been formed today," he said.

TNK-BP and Gazprom Neft have not commented on the report. A Slavneft spokesman said: "A change in the structure of shareholder capital and the issue of dividing up assets is exclusively a matter for the shareholders. Slavneft management has the job of managing company operations."

Commenting on a possible offer to Salavatnefteorgsintez minority shareholders, he said at present "there's no talk about Gazprom becoming the sole owner, although this cannot be ruled out in the medium to long-term."

Miller also said Gazprom and the authorities in Bashkortostan, the republic where the company is based, see eye to eye on all issues. These sentiments were confirmed by Bashkir President Murtaza Rakhimov.

Salavatnefteorgsintez produces mineral fertilizers in addition to refining oil and producing petrochemicals.

Gazprom Processing and its affiliates own a 90.31% stake in Salavatnefteorgsintez.

KYIV, BAKU AGREE TO BUILD AZERI REFINERY IN WESTERN UKRAINE

BAKU. (Interfax) - Ukraine has handed Azerbaijan feasibility and market research studies prior to the start of the development of a project to construct an Azerbaijani oil-processing plant (OPP) on Ukrainian territory, Ukrainian President Viktor Yushchenko said.

"We handed over during our official visit a feasibility study and a marketing study for the start of the project on the construction of an Azerbaijani OPP in Western Ukraine," he said.

Participants in Ukrainian-Azeri negotiations in Baku listened to a report by a joint commission on building a joint oil refinery, Ukrainian presidential envoy on international economic affairs Bohdan Sokolovsky told journalists while flying to Baku from Kyiv on April 9.

"The joint Azeri-Ukrainian commission has developed several options for building a joint oil refinery," Sokolovsky said.

Asked where this oil refinery would be located, Sokolovsky said three locations in Ukraine were under consideration, i.e. near the Black Sea in the Odesa region, in the Kherson region, and in the western part of the country.

The modernization of the Ukrainian gas transportation system will be among the issues of the Ukrainian-Azeri talks as well, Sokolovsky said.

BELARUS REFUSES TO SELL STATE'S STAKE IN MOZYR OIL REFINERY TO GAZPROM NEFT, TNK-BP

MINSK. (Interfax) - The Belarusian government has declined a proposal made in early March by Gazprom Neft and TNK-BP, which own Slavneft on an equal basis, on the sale of the state's stake in the Mozyr Oil Refinery to the Russian oil companies, a source in the government told Interfax.

The source said the proposal on the purchase of the government's stake in the Mozyr Oil Refinery was likely the result of the split-up of Slavneft's assets that

the two oil companies are currently carrying out. Slavneft owns a 42.5% stake in the refinery and splitting this stake would result in the companies losing a blocking stake in the refinery, the source said.

Various appraisals indicate the Belarusian government's stake in the refinery could be worth as much as \$1 billion factoring in a premium for the controlling stock interest.

The press services of TNK-BP and Gazprom Neft declined comment on the report.

Slavneft invested \$65 million in the construction of a \$135-million oil cracking facility at the Mozyr Oil Refinery in 1999.

Gazprom Neft and TNK-BP are currently in the process of dividing up Slavneft's retail chain in Belarus and have received the Belarusian government's permission. The companies plan to complete the split in fall 2009.

The Mozyr Oil Refinery was founded in 1975. It mainly produces gasoline and other types of fuel.

The Belarusian government owns 42.7% of shares in Mozyr Oil Refinery, Slavneft has 42.5% and 12.15% are held by state-owned MNPZ LLC. The refinery has capacity to refine over 10 million tonnes of crude oil a year.

Mozyr refined 10.915 million tonnes of oil in 2008, up 2.4% from 2007.

CHINA READY TO BUILD REFINERY IN KAZAKHSTAN – AMBASSADOR

ALMATY. (Interfax) - China is ready to build a refinery in Kazakhstan near the Chinese border, Chinese Ambassador to Kazakhstan Qing Gopin told the Liter newspaper in an interview published on April 14.

"We discussed the project for the construction of a refinery in the border region, where the Kazakhstan-China oil pipeline ends. Originally we had been discussing building the refinery in China. Later, the Kazakh side decided it wanted the refinery to be on its territory. Kazakhstan also badly needs oil products. We do not mind. China has the resources to finance the project, we also have the technology," Qing said.

The issue is under discussion now, he said.

"The projects for the development of the Kazakh sector of the Caspian Sea, which China is ready to take part in, are also under consideration," Qing said stressing that "the cooperation between the two countries in the oil and gas sector is rapidly developing."

He said that last year China imported about 200 million tonnes. This year the country expects to in-

crease the oil imports up to 300 million. He said that Kazakhstan was China's main supplier and partner as far as the Kazakhstan-China pipeline was concerned.

He also stressed that Kazakhstan was China's second largest trading partner in CIS after Russia.

"In 2008 the sales turnover between our countries reached 17.550 million dollars or up 26.5% from the previous year," the ambassador said.

China has invested over \$10 billion in the Kazakh economy and is ready to continue investing. Over 300 Chinese companies are cooperating with Kazakh companies, he said.

Today there are three refineries in Kazakhstan. Their total capacity is 13-15 million tonnes of oil.

Kazakh-Chinese companies operating in Kazakhstan produce about 20 million tonnes and China's share in this amount accounts for 13 million tonnes. Kazakhstan's output of oil and gas condensate is about 70 million tonnes a year.

TRANSNEFT MAY CONSIDER PURCHASING MAZEIKIU NAFTA

MOSCOW. (Interfax) - Transneft may consider the acquisition of Lithuanian oil refining concern Mazeikiu Nafta if it receives an offer, Vice President Mikhail Barkov told journalists.

"Every oil refining asset is of interest to all companies," he said. "If they make us an offer, we will look at it," he said.

The Polish media reported earlier this week that Transneft and Lukoil are in talks with Mazeikiu Nafta's current owner, Polish PKN Orlen, on purchase of the Lithuanian refiner.

OIL PIPELINES & TRANSPORTATION

TRANSNEFT BOARD TO MAKE DECISION ON DIVIDENDS AT MEETING IN LATE MAY

MOSCOW. (Interfax) - The board of directors of Transneft will consider the issue of dividends at a meeting in the final 10 days of May, Vice President Mikhail Barkov told journalists.

"In the final 10 days of May we will have a board of directors meeting that will examine the issue of preparations for the annual meeting," he said.

The board will take up the issue of dividends at the meeting, he said. He did not specify the potential size of the dividend.

The oil pipeline operator does not plan to change the investment program for 2009. "We aren't going to change the investment program every month every time there's a hiccup," he said, adding that any changes would require drawing up new projects or dropping existing ones.

ODESSA-BRODY PIPELINE FEASIBILITY STUDY TO BE ENDORSED ON APR 24

BAKU. (Interfax) - A feasibility study on the Odessa-Brody oil pipeline will be endorsed in Poland in two weeks, Ukrainian presidential envoy on international energy issues Bohdan Sokolovsky told journalists while flying to Baku on April 9.

"The feasibility study will be signed off on [April] 24," Sokolovsky said.

He described the project as "commercially appealing."

The first phase of the project implies oil sales to Slovakia and the Czech Republic, Sokolovsky said. "This in fact does not require major investments," he said.

The first phase of the project will make it possible to bring oil transportation to the level of 5 million-7 million tonnes a year and secure the reception of 5 million tonnes of oil by Ukraine, he said.

The second phase of the project will require investment and will imply increasing oil transportation

by another 10 million tonnes so that it reaches 20 million tonnes a year. The implementation of the second phase of the project envisions oil transportation to Ukraine and Poland, Sokolovsky said.

"The third phase is designed for transportation of up to 40 million tonnes of oil" a year, he added.

Sokolovsky estimated the aggregate amount of investment needed for the project at \$5 billion-\$7 billion.

The feasibility study will be presented at a special ceremony, as there is an agreement on this with European Union representatives, he said.

"We expect not only political support but also financial support for the project on Europe's part," he said.

Ukrainian President Viktor Yushchenko and Azeri President Ilham Aliyev will discuss the implementation of the Odesa-Brody pipeline project at a meeting in Baku on April 9, Sokolovsky said.

GAS

GAZPROM TO QUADRUPLE INVESTMENT IN SHTOKMAN, DOUBLE INVESTMENT IN YAMAL IN 2009

MOSCOW. (Interfax) - Gazprom's existing investment program for 2009 envisions a two-fold increase in investment in the Yamal mega project to 210 billion rubles and a four-fold increase in investment in the Shtokman project to 56 billion rubles, the company said in a memorandum for a new Eurobond issue.

Due to investment in new production projects, investment in production (334 billion rubles) will significantly exceed investment in transportation (308 billion rubles) for the first time.

The company's budget was approved by the board of directors in December 2008. Since that time, the hydrocarbon prices in addition to the cost of materials, equipment and construction services have all changed. With this in mind, the investment program will be cut at the end of the first half of 2009.

Below is a list of the company's main financial plans for 2009 compared to the 2008 budget (bln rubles):

	2009	2008
Total investment program	921	821.66
Capital expenditures	700	531.2
Long-term financial investment	221	290.46
Transportation	307.9	237.2
Reconstruction	50.6	42.9
SRTO-Torzhok	1.1	13.6
Pochinki-Gryazovets	20.2	24.382
Distribution	14	
Expansion of Urengoi gas transportation hub	2.2	11.5
Gryazovets-Vyborg	35.6	21.9
Yamal (Bovanenkovo-Ukhta gas pipeline)	110.1	26.158
Yamal (Obskaya-Bovanenkovo railroad)	19.2	25
Production	333.5	234.632
Urengoi's Achimovsky deposits	2.2	
Sakhalin-2	45.5	
Kharvutinskaya area of Yamburgskoye field	3	
Zapadno-Pestsovoye	4.7	
Foreign projects	10.9	
Zapolyarnoye	19.4	
Nydinskaya area of Medvezhoye field	4.7	
Maintenance of oil production at Medvezhoye, Urenoi, Yamburgskoye fields	11.9	
Shtokman	55.6	14.7
Prirazlomnoye	22.1	10.1
Yamal (Bovanenkovo development)	80.4	53.745
Gas Refining	6.3	10.6
Other		
Gazprom Neft	70	
Production and exploration	54.3	
Priobskoye	21.4	
Refining	7.1	
Sales	5.5	
LNG Utilization	1.1	
Mosenergo (TGK-3)	14.7	
OGK-2	5.3	
OGK-6	12	
Gasification	18.5	

Gazprom earlier said it may revise the timeframe for some work on priority projects, including the Yamal project, Deputy CEO Valery Golubev told journalists on the sidelines of a forum on the Russian fuel and energy sector in the 21st century.

Golubev confirmed that the Bovanenkovo field would come on-stream in 2011. However the timeframe may change for construction of compressor stations on the Bovanenkovo-Ukhta gas pipeline, installation of various other equipment at them, and addition of certain production capacity at the field, he said.

It was reported earlier that Gazprom planned to invest 210 billion rubles this year in work at the Bovanenkovo field and construction of the Bovanenkovo-Ukhta trunk gas pipeline system.

Gazprom designated the Yamal Peninsula as an area of strategic interest in January 2002. Commercial development of fields at Yamal will raise production on the peninsula to 310 billion-360 billion cubic meters a year by 2030.

GAZPROM SEES ABC1 RESERVES GROW 11% TO 33 TRLN CUBIC METERS IN 2008

MOSCOW. (Interfax) - Gazprom saw its gas reserves under Russian ABC1 classification (explored reserves) increase 11% to 33.122 trillion cubic meters (tcm) in 2008 from 29.786 tcm, the company said in a memorandum to investors for a new Eurobond issue.

The increase in reserves resulted from the fact that the Russian government gave the gas monopolist licenses for ten fields last year on a tender-free basis.

As a result, the company's gas reserves increased by seven-fold.

Gas condensate reserves rose by 6% to 1.287 billion tonnes last year, while oil reserves grew by 6% to 1.598 billion tonnes.

GAZPROM RAISES \$800 MLN FROM STATE BANK IN MARCH

MOSCOW. (Interfax) - Russian gas giant Gazprom received \$800 million from Dutch SPV company White Nights Finance B.V. in March, the Russian company said in a memorandum concerning its latest Eurobonds issue.

The funds were received in two tranches coming to \$300 million and \$500 million, respectively. The funds are available until 2014 at 10.5%

A source in banking circles told Interfax that these funds had been likely raised from VTB.

White Nights Finance is known as the Eurobonds issuer for several borrowers such as Bashkortostan, Transneftproduct, the Moscow region and Belarusbank. VTB Bank Europe plc is involved in the organization. The only transaction in which VTB did not participate with White Nights was an issue for the Business Alliance leasing company.

VTB declined to comment on the transaction.

PWC WINS TENDER TO AUDIT GAZPROM, TO CHARGE 10% LESS THAN BEFORE

MOSCOW. (Interfax) – ZAO PricewaterhouseCoopers has won the right to audit Gazprom for another year, the Russian gas monopoly said.

The contract will cost \$7.8 million, or less than the \$9 million Gazprom was prepared to pay. PwC charged \$8.625 million for its services last year.

PwC will audit Gazprom to Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS).

PwC has audited Gazprom since 1995, but tenders to audit the gas giant still draw strong interest.

Gazprom's shareholders will confirm the auditor at their annual meeting on June 26.

GAZPROM THREATENS NAFTOGAZ WITH FINE FOR UNDER-CONSUMPTION

MOSCOW. (Interfax) - Russia's Gazprom officially warned Ukrainian national oil and gas company Naftogaz this week that it might fine Naftogaz for importing less gas from Russia last month than the Russian-Ukrainian contract prescribed, a source in the Russian gas industry told Interfax.

A Ukrainian government source told Interfax that Naftogaz had "indeed received a document of a similar nature from Gazprom" but said Naftogaz was not to blame for the reduced gas imports and that the Ukrainian company had offered its arguments to Gazprom.

Both sides said they might discuss this matter in talks next week.

Earlier, Ukraine announced it would like to import 33 billion cubic meters of gas in 2009 instead of 40 billion prescribed by the contract.

The contract stipulated that Ukraine import 1 billion cubic meters in January, 2 billion in February and another 2 billion in March. However, Naftogaz imported and paid for 549 million, 1.1 billion and 950 million cubic meters respectively.

The contract prescribes penalties for importing less gas than stipulated.

If Naftogaz imports less gas for any month than the month's contractual [amount] and if the shortfall exceeds 6% of the quota, the Ukrainian company must pay a fine 50% higher than the cost of the gas that has not been imported if the under-purchase takes place between October and March or a fine three

times as high as the cost of the gas not imported if the undersupply occurs at any other time.

Meanwhile, a provision on dropping reciprocal claims on the implementation of gas contracts between Russia and Ukraine starting January 1, 2009 was struck out from a technological agreement between Gazprom and Naftogaz Ukrainy on conditions of the transfer of gas at border gas measuring stations for its transit across Ukraine to Western Europe, the Ukrainian weekly publication Dzerkalo Tyzhnya (Mirror of the Week) reported citing a copy of the agreement that it possesses.

The final phrase of the document that says "The parties confirm that they do not have any mutual claims regarding the implementation of the contracts indicated in Clause 9.3 of this technological agreement starting January 1, 2009" has been struck out.

The presence of this phrase in the technological agreement would mean that Gazprom dropped the lawsuit against Naftogaz it earlier filed with the Arbitration Institute of the Stockholm Chamber of Commerce (SCC Institute) and would be unable to make any claims on issues not clearly stipulated by the contracts in the future.

It was reported earlier that Gazprom had filed a lawsuit with the SCC Institute regarding the transit of Russian natural gas across Ukraine back on January 16, that is, before the signing of the gas agreements with Naftogaz on January 19.

Gazprom claims that not only did Naftogaz "fail to honor its legal commitments on the transit of natural gas through the Ukrainian territory to Europe" but also siphoned off a certain amount of gas. Gazprom asks the SCC Institute to acknowledge the expropriation of gas by the respondent as a continued infringement on a long-term contract and oblige it to return the expropriated gas (or its equivalent) and compensate for the claimant's losses, which it estimated at 100,000 euro.

Gazprom has notified Naftogaz Ukrainy that the latter has violated the contract on gas supply to Ukraine by consuming less gas than is stipulated by the contract and warned it that it might face a heavy fine, Ukrainian presidential commissioner for international energy security Bohdan Sokolovsky said.

"According to Naftogaz information, such a letter does exist. I would like to point out that there are legal grounds for such a letter, because the January 19, 2009 gas contracts envision such fines," Sokolovsky told Interfax on April 14.

At the same time, the contract does not require automatic imposition of any fines, Sokolovsky said. "Legal grounds do exist, but fines could be imposed

only after a court considers the matter and hands down a ruling," he said.

Legal proceedings would not benefit either the businesses or the governments, he said.

"Therefore, such disputes should be settled in a routine manner and on an equal basis at the negotiating table, without waiting for courts to intervene," Sokolovsky said.

Sokolovsky said he would hope that this notification following Moscow's negative response to a declaration on modernizing the Ukrainian gas transportation system signed recently in Brussels was not an element of blackmail. "I think the atmosphere that has lately taken shape in relations between Naftogaz and Gazprom gives every reason to say that such relations remained in the past," he said.

The modernization of the Ukrainian gas transportation system is at least a trilateral process involving the supplier, the transit country, and the consumers, and Russian companies will definitely be invited to bid in tenders for selecting companies that would organize, carry out, and finance various phases of this project, he said.

GAZPROM TO PROVIDE EXPLORATION DATA ON TSENTRALNOYE TO KAZAKHSTAN SOON

ALMATY. (Interfax) - Gazprom will provide geological exploration data on the Tsentralnoye field in the Caspian to Kazakhstan soon.

"Data on the geological exploration of the Tsentralnoye structure will be transferred to the Kazakh side in the near future," Gazprom CEO Alexei Miller said at a briefing in Almaty on April 9 following a meeting with Kazakh President Nursultan Nazarbayev.

Gazprom and Lukoil formed a 50-50 joint venture - TsentrKaspneftegaz - in June 2003 to develop Tsentralnoye jointly with KazMunayGas.

Tsentralnoye is located in Russia's Caspian sector 150 kilometers east of Makhachkala. A major oil and gas condensate field was discovered at the structure in May 2008.

PGNiG MAY SIGN GAS SUPPLY DEAL WITH GAZPROM IN LATE APRIL

WARSAW. (Interfax) - Polish gas monopolist PGNiG may sign a short-term agreement with Russia's Gazprom in late April on the supply of 2.5 bln cubic meters of natural gas from Russian Gazprom to cover shortages caused by RosUkrEnergo's failure to continue supplies, Polish daily Rzeczpospolita reported on April 14.

"PGNiG may sign a new agreement with Gazprom on April 27," reads the daily. "It is about 2.5 bln cubic meters of extra supplies of gas."

A EuRoPol Gaz's supervisory board meeting is scheduled for April 27. EuRoPol Gaz is the operator

of the Polish section of the Yamal-Europe gas pipeline. PGNiG and Gazprom are the company's main shareholders.

"The agreement on purchase of Russian gas could be signed prior to the board's meeting," the daily wrote.

The agreement would replace a similar contract with RosUkrEnergo, which halted gas supplies to Poland earlier this year after the Russian-Ukrainian gas dispute of early 2009. RosUkrEnergo was supposed to deliver 2.5 bln cubic meters of gas to Poland in 2009.

GAZPROM, ENI AGREE TERMS OF DEAL ON PRODUCTION ASSETS

MOSCOW. (Interfax) - Gazprom and Eni are agreeing the terms of a deal in production assets under which Gazprom will join the Elephant project in Libya and the Severenergia joint venture in Russia.

"There are no differences over the business," Stanislav Tsygankov, the head of Gazprom's foreign economic activity department, told journalists. "Elephant together with the Russian assets is a package deal and will be closed simultaneously. We are currently finalizing the documents. There are a lot of documents," he said.

Gazprom and Eni had earlier postponed a deal under which the Russian gas giant would receive a

33% stake in Elephant due to oil price instability, which was a key parameter in the structure of the deal. Tsygankov said the companies had reached agreement on that issue. He did not elaborate.

The price of Gazprom's purchase of 51% in Severenergia, a joint venture between Eni and Enel that owns two production companies - Arcticgas and Urengoil - and holds licenses in Yamalo-Nenets autonomous district, will be fixed at the time of closing.

As for Gazprom's participation in Enel electricity assets - Porto Corsini - Tsygankov said that there were differences over the details.

DRILLING OF FIRST WELL NEAR VENEZUELA TO TAKE AT LEAST ONE MORE MONTH - GAZPROM

MOSCOW. (Interfax) - Drilling of the Gazprom's exploration well off the coast of Venezuela will be drawn out by at least a month, Stanislav Tsygankov, head of Gazprom's International Business Department, told journalists.

Tsygankov said: "by the end of April we plan to reach the target horizon."

Gazprom earlier said that the drilling would be complete by the end of the first quarter.

Tsygankov added: "The well is complex and deeply situated. One encounters much hard rock. The first 2,000 meters [were drilled] very quickly."

LUKOIL CUTS GAS OUTPUT BY 8 MCM PER DAY FROM APRIL 1

MOSCOW. (Interfax) - Lukoil has reduced gas production by 8 million cubic meters per day since April 1, Lukoil President Vagit Alekperov told journalists on April 9.

"At the request of Gazprom, we have reduced gas production by 8 mcm per day. Gazprom is reducing output and has asked independent producers to also reduce production," he said.

Alekperov stressed that the reduction is not critical and production will gradually start to increase so that gas can be pumped into underground storage facilities.

This makes sense since it will result in cheaper gas being pumped into the storage facilities, he said.

MOLDOVA RECEIVES \$12 MLN FROM GAZPROM IN ASSISTANCE

CHISINAU. (Interfax) - The Moldovan government has received \$12.25 million in assistance from Gazprom, which will be used to purchase petroleum products in order to replenish state reserves.

he governmental press services told Interfax that the humanitarian aid was provided following an

agreement between Moldovan President Vladimir Voronin and Russian President Dmitry Medvedev that had been reached during the former leader's visit to Moscow on March 18.

GAS PIPELINES & TRANSPORTATION

UKRAINE WILL NOT SHARE ITS GAS PIPELINE SYSTEM – YUSHCHENKO

KYIV. (Interfax) - Ukraine's gas pipeline system is an indivisible asset, President Viktor Yushchenko announced on April 13.

"Ukraine's gas transportation system is an indivisible asset and the state does not intend to put it up for ownership revision, shared management or use," Yushchenko said in an interview with the *Kommersant* and *Kommersant-Ukraine* newspaper.

Ukraine does not politicize the issue of modernizing its gas pipeline network to the extent Russia does, he said, adding that "this is purely technical work".

Yushchenko was commenting on Ukrainian-Russian gas agreements signed in January 2009.

Meanwhile, Ukrainian Prime Minister Yulia Tymoshenko has said differences have been settled with Russia on the issue of upgrading the Ukrainian gas transportation network.

"We found out that we are partners in upgrading the gas transportation network. We believe that the issue is settled and we can go on working further," she told the press in Dnepropetrovsk on April 10, adding that during her telephone conversation with Prime Minister Vladimir Putin on April 9 they settled their differences, which had arisen after the Brussels conference on modernizing Ukraine's network.

Tymoshenko said that with Putin they discussed preparations for a session of the intergovernmental committee and the compilation of joint documents.

Elsewhere, Russian Foreign Minister Sergei Lavrov has said that the agreement between the European Union and Ukraine on the modernization of the Ukrainian gas transportation system runs counter to

all previous agreements between Moscow and Brussels.

"This absolutely runs counter to all the decisions on how to run business with each other," Lavrov said at a Foreign and Defense Policy Council on April 11.

This is not the only problem in relations between Moscow and Brussels, he said.

"We have problems as regards the way our partnership with the European Union is developing," he said.

Talking about prospects for concluding a new partnership and cooperation agreement between Russia and the EU, Lavrov said he hoped the document would include practical provisions regarding the protection of each other's interests.

"I still hope a compromise will be found, which would enable us to work out practical mechanisms for defending both Russia's and the European Union's interests," he said.

At the same time, he admitted that the negotiations on this issue are not proceeding easily.

"The negotiations are difficult, as issues directly affecting the parties' fundamental interests are being addressed," he said.

For instance, the European Union is insisting that the new agreement contain as many economic provisions as possible, including those concerning energy, Lavrov said.

"There is the desire to include as much as possible in the new agreement, but at the same time our partners want to minimize the foreign political component," Lavrov said.

GDF SUEZ BEGINS DETAILED TALKS ON JOINING NORD STREAM

MOSCOW. (Interfax) - French GDF Suez has begun detailed talks on joining Nord Stream, the project to build a gas pipeline from Russia to Germany across the Baltic Sea.

"We have progressed now from the verbal interest stage to a more detailed agreement of these events with our partners, to the beginning of practical conceptualization," the head of foreign economic activity at Gazprom, Stanislav Tsygankov, told journalists.

The size of the stake GDF takes will depend on the existing foreign partners in the project, Tsygankov said.

Nord Stream will stretch across the Baltic Sea from Russia to Germany. The first strand of the 1,220-kilometer pipeline, with capacity to ship about 27.5 billion cubic meters (bcm) a year, will begin operating in 2011. A second strand will double capacity to 55 bcm a year.

Nord Stream AG is a joint venture formed to plan, build and operate the pipeline. Gazprom has a 51% interest, BASF/Wintershall - 20%, E.ON Ruhrgas - 20% and N.V. Nederlandse Gasunie - 9%.

CAPACITY OF PRE-CASPIAN GAS PIPELINE MAY BE DOUBLED – MILLER

ALMATY. (Interfax) - Capacity of the Pre-Caspian gas pipeline running through Kazakhstan may be increased by 20 million cubic meters, Gazprom CEO Alexei Miller said.

"At present we are looking into the possibility of increasing the capacity of the gas pipeline by another

20 million cubic meters of gas. The total capacity in this case will then stand at 40 million cubic meters," he told a press briefing in on April 9 in Almaty, following a meeting with Kazakh President Nursultan Nazarbayev.

BOMB FOUND UNDER GAS PIPELINE IN DAGESTAN DESTROYED

MAKHACHKALA. (Interfax) - Specialists have disposed of a second explosive device that was found under the Mozdok-Kazimagomed (Azerbaijan) gas pipeline in Dagestan's Karabudakhkent district on April 10, a spokesman for the Federal Security Service's department in the republic told Interfax.

"The bomb was destroyed with the help of a water canon at 11:30 a.m.," the spokesman said.

Two explosive devices planted near the gas pipeline were found on April 10. One expert was killed and another one sustained blast injuries when police tried to destroy one of the bombs.

Gas supplies to Dagestan's capital of Makhachkala and several neighboring localities have been suspended. Specialists will have to replace nearly 10 meters of damaged pipes.

YUSHCHENKO, ALIYEV ORDER CONSULTATIONS ON AZERI GAS SUPPLIES TO EU

BAKU. (Interfax) – Ukrainian President Viktor Yushchenko and his Azeri counterpart Ilham Aliyev have ordered their countries' foreign ministers to hold consultations on Azeri gas supplies to the European Union.

"At the talks, the Ukrainian and Azeri delegations discussed how to formulate a common stance on Azeri gas supplies to the EU. We have agreed that our respective foreign ministries will hold consultations on the matter," Yushchenko said in a press statement af-

ter the first session of the Ukrainian and Azeri presidents' council in Baku on April 9.

Yushchenko said that the dialogue on the Eurasian oil transport corridor project is currently being finalized.

"The dialogue on the Eurasian oil transport corridor project, which was launched nearly two years ago, is currently being finalized," he said in Baku on April 9.

Yushchenko said a feasibility study for this project would be signed in Warsaw on April 24.

TURKMENISTAN CALLS FOR INTL MEETING ON ENERGY SUPPLY STABILITY

ASHGABAT. (Interfax) - Turkmenistan will organize an international meeting to discuss issues relating to the stability of energy supply, said Turkmen President Gurbanguly Berdimuhamedow.

"It is important to ensure safe, reliable and stable energy supply both for the producers and to transit countries and consumers," Berdimuhamedow said on April 10 while opening the meeting of the Council of the CIS Foreign Ministers.

For this reason, Turkmenistan "proposes to begin open and comprehensive dialogue on this issue to work out approaches to operations in the fuel market, create international legal mechanisms, and protect the infrastructure," he said.

"We are inviting CIS representatives to take part in a high-level conference on the reliability and stability of fuel supply, which will be held in Ashgabat on April 23-24," Berdimuhamedow said.

GAS PROCESSING

GAZPROM, SHELL TO SWAP PIPELINE GAS FOR SAKHALIN-2 LNG

MOSCOW. (Interfax) - Gazprom and Royal Dutch Shell announced a deal on April 8 to swap pipeline gas for liquefied natural gas from the Sakhalin-2 project.

A source at Shell told Interfax that in 2004 the company signed a contract with Sakhalin-2 project operator Sakhalin Energy for the delivery of 37 million tonnes of LNG over 20 years.

Now, a new contract has been signed with Sakhalin Energy that splits this amount into two equal portions between Shell Eastern Trading Ltd and Gazprom Global LNG Ltd. Each buyer will get about 1 million tonnes of LNG annually from 2009 through 2028.

The companies also signed a 20-year contract under which Gazprom will supply the equivalent amount - 1.2 billion cubic meters annually - of pipeline gas for Shell in Europe, with delivery in Frankfurt Oder. Deliveries will begin in 2010, Shell said.

Shell will also allow Gazprom subsidiaries to use regasification facilities at the Energia Costa Azul LNG terminal in Baja California, Mexico, and pipeline capacity to enable gas to be transported to Southern California.

Gazprom head Alexei Miller and Royal Dutch Shell chief executive Jeroen Van der Veer at their

meeting in Moscow "praised the signed documents and stated that these agreements open new business development opportunities for both companies," the press release said.

Miller said the deal "will enable Gazprom to begin shipment of LNG supplies from Sakhalin-2 to the United States, the world's largest gas market, and other markets of the Pacific Basin, starting from this year."

Miller and Van der Veer also discussed opportunities for further expansion of bilateral cooperation in LNG projects in Russia, the release said.

"We look forward to expanding further our relationship with Gazprom in a variety of activities related to natural gas and LNG developments both in Russia and internationally," Van der Veer said.

Sources at the companies told Interfax that the new projects being discussed included, above all, the expansion of the Sakhalin-2 project and production of LNG on the Yamal Peninsula.

Commenting on the situation on world oil and gas markets, Miller said that "in the past several weeks the markets on which the companies work are demonstrating an improvement in demand."

GAZPROM COULD RETURN TO DISCUSSION OF BALTIC LNG PROJECT

MOSCOW. (Interfax) - Gazprom could return to the discussion of the Baltic liquefied natural gas (LNG) project, Stanislav Tsygankov, head of the company's foreign economic activities department, told journalists on April 10.

Tsygankov said he was expressing his personal opinion and recalled that the decision to cancel the project was made by the management board.

Since then the situation on the global market and inside Russia has changed, as has the gas transit situa-

tion. Attitudes to the Baltic LNG project may also have changed, he said.

The management board deemed the project inadvisable in February 2008. It involved construction of an LNG plant in Primorsk, Leningrad region.

Analysis indicated that construction of the Nord Stream pipeline and development of the Shtokman field, which will also see construction of an LNG plant, were the most competitive projects, and company resource will be concentrated on their implementation.

GAZPROM, CONOCOPHILLIPS DISCUSS LNG, ALASKA

MOSCOW. (Interfax) - Gazprom CEO Alexei Miller met in Moscow on April 14 with the head of ConocoPhillips, Jim Mulva, to discuss the outlook for joint projects on global energy markets, particularly concerning LNG, Gazprom said in a statement.

They discussed cooperation in the Arctic, including Alaska. Other potential areas for cooperation include comprehensive development of fields and hydrocarbon transportation in the Far North and geological exploration on Alaska's shelf.

"Gazprom's experience will be useful in implementing new gas projects in the U.S.," Miller is quoted in the statement as saying.

The meeting participants confirmed their interest in developing cooperation between companies in the energy sector.

ConocoPhillips is one of the three largest sellers of gas on the U.S. market, along with BP and Semptra. The company sells about 90 billion cubic meters of gas in the U.S. each year. ConocoPhillips operates one of the first LNG plants, located in Alaska, and is developing a host of new LNG projects in various regions of the world.

AUCTIONS & TENDERS

KYIV ANNOUNCES TENDER FOR NAFTOGAZ GAS

KYIV. (Interfax) - The Ukrainian state committee for state material reserves has announced an open tender to sell the rights of claim to 1.318 billion cubic meters of natural gas belonging to national JSC Naftogaz Ukrainy.

According to an announcement in the mass media on April 9, the tender is scheduled for April 24, and bids can be submitted by noon on April 23.

The value of the tender procurement is UAH 55.42 million.

Naftogaz Ukrainy's press service did not comment on the report.

LAWS & REGULATIONS

RUSSIA TO RAISE OIL EXPORT DUTY TO \$137.7/TONNE ON MAY 1

MOSCOW. (Interfax) - The export duty on Russian crude oil will rise to \$137.7 a tonne on May 1, a Finance Ministry official said.

The new duty is based on an average price of \$47.8845 per barrel of Russian crude for the period March 15-April 14, inclusive, Alexander Sakovich, the ministry's deputy head of customs payments, told Interfax.

The duty has been \$110 since April 1.

The formula the government uses sets the maximum duty effective May 1 at \$137.78695 a tonne, which has been rounded down to \$137.7.

The export duty on light petroleum products will be \$105.1 a tonne and that on heavy products - \$56.6 a tonne on May 1, Sakovich said. These duties have been \$86.4 and \$46.5, respectively, since April 1.

The government sets the crude oil and product export duties based on one-month monitoring of the price of Russian crude on European markets.

MINFIN PLANS TAX HOLIDAYS FOR FIELDS IN SEA OF OKHOTSK, BLACK SEA

MOSCOW. (Interfax) - The Russian Finance Ministry plans to introduce tax holidays on production of subsurface resources at fields in the Sea of Okhotsk and the Black Sea, State Secretary and Deputy Finance Minister Sergei Shatalov said.

A number of strategic decisions concerning the oil industry have been made, including a reduction in

the natural resource extraction tax and tax holidays for new fields in eastern Siberia, the Arctic shelf, the Caspian Sea and the Sea of Azov, Shatalov said at a tax conference hosted by the Russian Union of Industrialists and Entrepreneurs.

"Now we will have tax holidays for the Sea of Okhotsk and the Black Sea," Shatalov said.

RUSSIA TO ELIMINATE FINES FOR GAS UNDERUTILIZATION – MINISTER

MOSCOW. (Interfax) - The Russian government's policy of fining companies for underutilizing contracted volumes of gas for consumers will be eliminated as part of anti-crisis measures being drawn up, Economic Development Minister Elvira Nabiulina said at a briefing on April 9.

"The practice of fines for the underutilization of gas is to be done away with," she said.

Under current legislation, a company that does not take the full amount of gas it pledged to in con-

tracts is subjected to a fine. These fines have become a real burden for companies given the decline in gas consumption throughout the country.

"Amendments are also to be made to the rules for regulating the electricity market because at present these regulations are to a large degree calculated based on an increase in electricity consumption," which has also been declining recently, she said.

Such regulations make it difficult to react to changes on the market in a flexible manner, she said.

FAS PRESENTS GOVT WITH RULES ON ACCESS TO TRANSNEFT EXPORT SYSTEM

MOSCOW. (Interfax) - Russia's Federal Antimonopoly Service (FAS) has introduced rules to the government on non-discriminatory access to OJSC Transneft's export pipeline system, the deputy head of

the FAS, Anatoly Golomolzin, told journalists on April 14.

"This document has been presented to the government and is in the discussion stage," he said.

MITVOL ANNOUNCES HIS RESIGNATION FROM FEDERAL ENVIRONMENTAL SERVICE

MOSCOW. (Interfax) - Deputy head of the Federal Environmental Protection Service Oleg Mitvol has submitted an application for a vacation and consequent resignation to Natural Resources and Ecology Minister Yuri Trutnev.

"I have submitted an application for a vacation starting from April 27 and my consequent resignation to Natural Resources and Ecology Minister Yuri Trutnev," he told Interfax.

"The federal service may start looking for a new staff member on April 27," he said.

Trutnev duly accepted Mitvol's resignation, a ministry source told Interfax.

"The minister has accepted Mitvol's appeal for a vacation starting from April 27 and the subsequent resignation," he said.

Mitvol met with Trutnev on April 13, the source said. The Rosprirodnadzor deputy chief submitted his letter of resignation during the meeting.

Mitvol said had not found a new job yet.

The ministry source declined to name a new deputy head of the country's environmental watchdog. "It will most likely require a nomination proposed by Rosprirodnadzor head Vladimir Kirillov," he said.

Mitvol has been unavailable for comment.

A conflict between Kirillov and Mitvol erupted in 2008 and was caused by Kirillov's appointment as Rosprirodnadzor chief. Mitvol repeatedly expressed his unwillingness to work with Kirillov.

STOCKHOLM COURT TO HEAR SUIT BY SPANISH SHAREHOLDERS IN YUKOS

MOSCOW. (Interfax) - The Arbitration Institute of the Stockholm Chamber of Commerce has agreed to hear a suit against Russia brought by Spanish holders of Yukos American Depositary Receipts (ADR) after examining the bilateral investment treaty (BIT) between Spain and Russia, the legal firm Covington & Burling LLP said in a press release.

Covington & Burling, which represented the Spanish investors, believe the ruling on jurisdiction has important implications for Yukos ADR holders in all

countries that have BITs with Russia. "The losses of Yukos ADR holders in such countries exceed \$10 billion," the press release says.

Covington & Burling were previously unsuccessful in a suit brought by U.S. investors in Yukos ADRs filed in U.S. court. In that case the lower court ruled that it did not have jurisdiction. No appeal of that judgment has been filed and the deadline for filing has passed.

OUTPUT STATISTICS

RUSSIAN PRODUCER PRICES GROW 4.1% IN MARCH

MOSCOW. (Interfax) - Producer prices in Russia increased 4.1% in March 2009 compared to February and 5.1% in the first quarter of 2009, the Federal State Statistics Service (Rosstat) reported on April 13.

Producer prices had been on the decline from September 2008 until January 2009, falling 5% in September, 6.6% in October, 8.4% in November, 7.6% in December and 2.7% in January, according to updated figures. The sharp decline in prices over the last four months of 2008 led to Russian industry ending the

year with deflation of 7% for the first time ever compared to growth of 25% in 2007.

The trend was only broken in February, when prices grew 2.9%.

Compared to March 2008, producer prices declined 2.8% in March 2009.

The fuel and energy extractive sector saw producer prices rise 22.9% in March following growth of 1.5% in February, while prices in the utilities sector grew 9.1% compared to the previous month following a 4.2% rise in February.

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Producer prices in the processing industries declined 0.1% in March after rising 2.8% in February. The decline was the result of a 5.4% reduction in producer prices for coke and petroleum products and a 3.2% decline in prices for other non-metals types of mineral products.

In the extractive industry, the biggest increases were seen in producer prices for crude with a 46.2%

increase in March, the liquefying and re-gasification of natural gas for transportation - 17.9% and the extraction and production of salt - 9.5%. Producer prices for associated gas and coal declined 2.9%, while prices for drilling coal and peat fell by 0.6%.

A consensus forecast compiled by Interfax at the end of March predicted producer prices would grow 1.4% last month.

BELARUS SEES OIL REFINING DECLINE 0.7% IN Q1

MINSK. (Interfax) - Oil refineries in Belarus refined 5.539 million tonnes in January-March 2009, down 0.7% from the same period of 2008, the Belarusian Statistics Service told Interfax.

Belarusian refineries refined 1.918 million tonnes of oil in March, up 0.7% from March 2008 and 12.5% from February 2009.

Gasoline production at Belarusian refineries fell 7.3% to 825,200 tonnes in the first quarter of 2009, including 242,300 tonnes in March, down 19.8% from March 2008.

Diesel fuel output fell 5.4% to 1.682 million tonnes in the quarter, including a 13.5% drop in March to 526,000 tonnes, while lubricant production declined 27.9% to 33,170 tonnes, including 3.1% to 13,800 tonnes in March.

Fuel oil production declined 1.6% to 1.741 million tonnes in the quarter but increased 2.9% to 597,000 tonnes in March.

A total of 5.247 million tonnes of crude was delivered to Belarusian refineries in January-March, down 7.9% from the first quarter of 2008. Belarusian refineries accepted 1.989 million tonnes in March compared to 1.626 million tonnes in February.

Oil production in Belarus fell 1.8% to 424,255 tonnes in January-March 2009. Oil production fell 2.1% to 145,800 tonnes in March.

Oil refining at the two Belarusian refineries (Naf-tan and Mozyr) totaled 21.3 million tonnes in 2008, down 0.2% from 2007. Supplies from Russia totaled 21.132 million tonnes, up 5.4% from 2007.

KAZAKH OIL OUTPUT UP 4.7%, GAS CONDENSATE DOWN 9% IN Q1

ASTANA. (Interfax) - In January-March 2009 Kazakhstan produced 15,116,600 tonnes of crude oil and 3,000,300 of gas condensate, or up 4.7% and down 9% compared to January-March 2008 respectively, the National Statistics Agency said in a statement.

In the reporting period the Kazakhstan produced 8,633.7 million cubic meters of natural gas (up 1.9%).

The agency said that the production of gaseous natural gas stood at 4,564.4 million cubic meters (down 9.5%) including sales gas in the amount of 3,001.1 million cubic meters (down 4.5%), the amount of oil-associated gas produced in the reporting period reached 4,069.3 million cubic meters (up 18.6%).

KAZAKHSTAN REDUCES GAS OUTPUT 1.2%, OIL REFINING 16.2% IN Q1

ASTANA. (Interfax) – Kazakh gas production in January-March 2009 stood at 8.614 billion cubic meters or 1.2% less than during the same period last year, a Kazakh government representative told Interfax.

The volume of natural gas produced amounted to 4.564 billion cubic meters (down 9.5% compared to Jan-March 2008).

Kazakhstan produced 2.860 billion cubic meters of gas in March 2009.

Oil refining in January-March 2009 amounted to 2.587 million tonnes or down 16.2% from the same period last year.

The volume of oil refining in March 2009 totaled 933,795 tonnes.

The country's plants produced 802,472 tonnes of diesel fuel in the period, down 16.6% from the same

period of 2008, 675,233 tonnes of fuel oil, down 16.6%, 141,161 tonnes of vacuum distillate, down 40.7%, 57,943 tonnes of jet fuel, down 35.3%, and 419,830 tonnes of liquefied gases, up 16.4%.

In January-March Kazakhstan produced 583,600 tonnes of gasoline, including aviation fuel, or a decrease of 14.3% compared to the same period last year.

The agency said that the output of furnace fuel oil in the reporting period decreased by 15.1% as compared to January-March 2008.

The output of kerosene including jet kerosene tumbled by 33.5% to 59,800 tonnes, gas oil by 15% to 927,500 tonnes.

EXPORT STATISTICS

KAZAKHSTAN INCREASES OIL & GAS CONDENSATE EXPORTS 8.1% IN JAN-FEB

ASTANA. (Interfax) - In January-February 2009 Kazakhstan exported 10,704,600 tonnes of oil and gas condensate, up 8.1% year-on-year, the National Statistics Agency said in a statement.

In the reporting period the exports of oil and gas condensate were worth \$3,037.6 million, or a decrease of 51.9% as compared to January-February 2008.

In January-February this year the republic produced 10.010 million tonnes of crude oil and 1.938 million tonnes of gas condensate.

In the reporting period Kazakhstan exported 425,900 tonnes of oil products (a decrease of 18.7%

compared to January-February 2008) totaling \$87.8 million (down 66.8%). The imports of oil products came to 315,400 tonnes (down 19.5%) totaling \$114.5 million (down 57.7%).

In the reporting period Kazakhstan imported 945.3 million cubic meters of natural gas (down 18.9%) to \$77.5 million (up 31.3%). The exports of natural gas in the same period reached 3,095.3 million cubic meters (up 11%) to \$210 million (up 26.9%).

In January-February this year Kazakhstan produced 5,745.6 million cubic meters of natural gas.

VOLUME OF AZERI OIL PUMPED VIA BTC PIPELINE DOWN 6% IN Q1

BAKU. (Interfax) - The volume of Azerbaijani oil pumped through the Baku-Tbilisi-Ceyhan (BTC) oil pipeline totaled 8.2 million tonnes in the first quarter of 2009, down 6.6% from the same period of 2008, the State Oil Company of the Azerbaijani Republic (SOCAR) told Interfax.

A total of 3.1 million tonnes of oil were transported via the BTC pipeline in March. The BTC pipeline has pumped 78.6 million tonnes of oil since it opened on June 4, 2006.

SOCAR said 1.9 million tonnes of oil were pumped from the oil terminal in Ceyhan in March, 8.4

million tonnes in the first quarter and 76.7 million tonnes since the pipeline opened.

The BTC is 1,767 kilometers long, including 443 kilometers in Azerbaijan, 248 kilometers in Georgia, and 1,076 kilometers in Turkey. It has capacity for 50 million tonnes of oil a year.

The project includes BP with 30.1%, SOCAR with 25%, Chevron (8.9%), Statoil (8.71%), TPAO (6.53%), ENI (5%), Itochu (3.4%), ConocoPhillips (2.5%); INPEX (2.5%), Total (5%) and Amerada Hess (2.36%).

OIL & GAS IN THE PRESS

RUSSIAN PRESS ON THE ENERGY SECTOR ON APRIL 9

*** The controversy over Surgutneftegas's purchase of a 21.2% stake in Hungarian refiner MOL continued on April 8, as the Hungarian authorities asked the Russian government for information about the oil company's plans for the new asset and President Laszlo Solyom said he was concerned about the potential consequences of the deal. MOL, meanwhile, continued to take defensive steps, proposing charter changes requiring shareholders to disclose beneficiaries and mechanisms to block a hostile takeover (Kommersant, p. 9; Moscow Times; Vedomosti, p. B1; Vremya Novostei).

*** The Russian government said on April 8 that it approved ExxonMobil's budget and work plans for its Sakhalin-1 project, allowing the company to continue development after a two-month standstill. At dispute over costs and plans caused the suspension of the project (Moscow Times).

*** Interview: Igor Makarov, chairman and co-owner of Itera Oil & Gas Company (Kommersant, p. 14).

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RUSSIAN PRESS ON THE ENERGY SECTOR ON APRIL 10

*** Turkmenistan on April 9 accused Gazprom of being responsible for a pipeline explosion that has shut down gas shipments to Russia, further exacerbating already tense gas relations between the two countries. With demand falling sharply, Gazprom can afford to suspend gas purchases from the Central Asian country (Kommersant, p. 1; Vedomosti; Vremya Novostei, p. 1).

*** Gazprom on April 9 for the first time confirmed that the decline of gas production in Russia could be long-term. Deputy chief executive Valery Golubev said the gas giant's annual output would remain 10% below the 2008 figure for the next four to five years. As a result, Gazprom could lose billions of dollars in revenue and push back the launch of key new fields (Kommersant, p. 11; Vremya Novostei).

RUSSIAN PRESS ON THE ENERGY SECTOR ON APRIL 13

*** Talks between Prime Minister Vladimir Putin and Iraqi counterpart Nouri al-Maliki on April 10 produced a breakthrough agreement that would allow Russian oil companies such as Lukoil to revive prewar contracts in the Gulf state. Energy Minister Sergei Shmatko said after the meeting that Iraqi authorities had agreed to begin talks on renewing prewar deals, a major departure from Baghdad's previous stance (Moscow Times; Vremya Novostei, p. 1).

*** Turkmenistan is expected to complete repairs on April 13 to its gas pipeline to Russia, which was damaged in an explosion last week. But gas supplies will not resume in full, as a 90% reduction in purchases of Turkmen gas by Russia will remain in place. Turkmenistan has already accused Gazprom of violating its gas supply contract, and the dispute looks likely to escalate (Kommersant, p. 1; Moscow Times; Vremya Novostei).

*** TNK-BP, the oil company owned by BP and a group of Russian billionaires, is reportedly offering 2.3 billion pounds for Sibir Energy, more than three times the firm's current market price. But one of Sibir's shareholders, Moscow city hall could stand in the way of a deal as it does not want to lose control over the Russian capital's fuel market. Sibir controls half of the Moscow Oil Refinery (Kommersant, p. 1).

RUSSIAN PRESS ON THE ENERGY SECTOR ON APRIL 14

*** Outspoken environmental regulator Oleg Mitvol resigned on April 13, saying he was tired of fighting with his superiors at the Federal Service for Natural Resources Use, who had been seeking to oust him for the past two years (Kommersant, p. 6; Moscow Times; Vremya Novostei).

RUSSIAN PRESS ON THE ENERGY SECTOR ON APRIL 15

*** Moncrief Oil is seeking \$110 million in compensation from Gazprom for failing to go through with an agreement to sell the U.S.-based firm a stake in the Yuzhno-Russkoye gas field in Western Siberia, the Russian gas giant disclosed in a memorandum for its upcoming Eurobond issue. The field is valued at \$7.6 billion to \$11.6 billion (Vedomosti, p. B1).

ANALYTICAL REPORTS

IN-DEPTH ANALYSIS ON RUSSIAN MARKETS AND INDUSTRIES

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