

Kovykta Project Development

Presentation to James A. Baker III Institute & the Carnegie Endowment
for International Peace

*Presented by Harry Griffith
Deputy General Director,
OJSC RUSIA Petroleum*

Moscow, Russia

September 30, 2005



THK·BP



Agenda

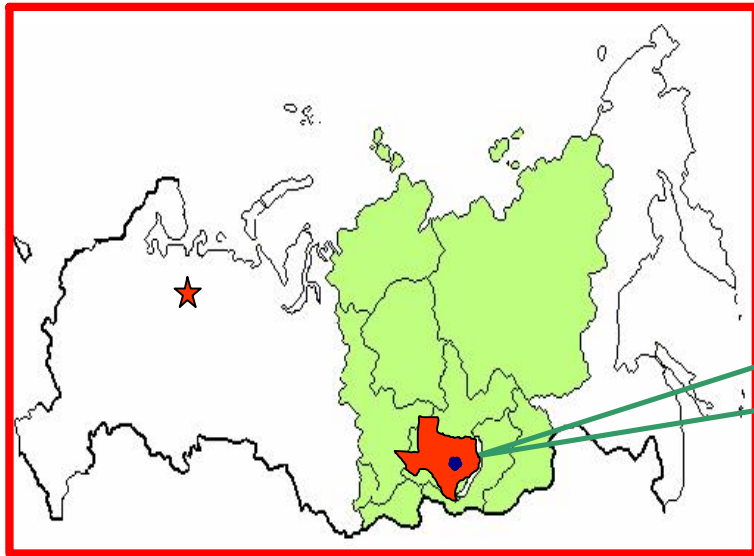


- Field Project
- Transportation
- Markets
- Conclusions

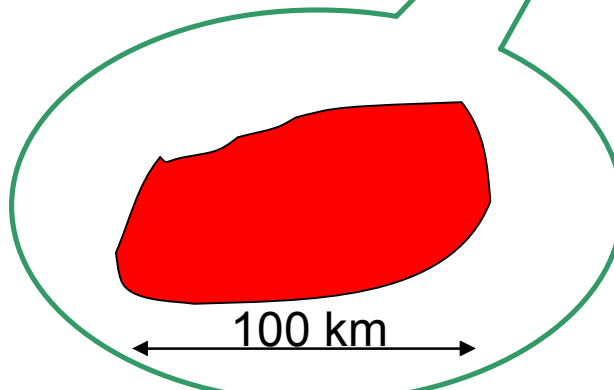
The Relative Size of the Project



EASTERN SIBERIA



STATE OF TEXAS



FIELD OF KOVYKTA

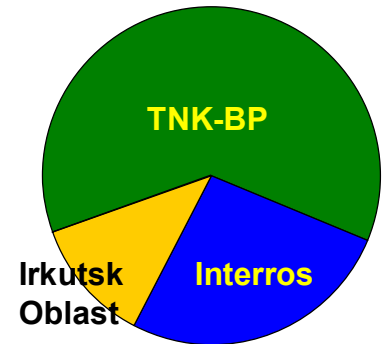
The Kovykta Field



History

- 1987** – Discovery by the state enterprise «VostSibneftegas»;
- 1991** – First reserves approval by the State Reserves Committee of the USSR;
- 1992** – «RUSIA Petroleum» formed to carry out exploration and development;
- 1999** – Start of the International Feasibility Study (IFS);
- 2001** – Inclusion of the Kovykta into the List of Subsoil blocks for PSA terms;
- 2003** – IFS completion with report submitted to the government
- 2004** – Announcement of Irkutsk Regional Gasification Project

RUSIA shareholders

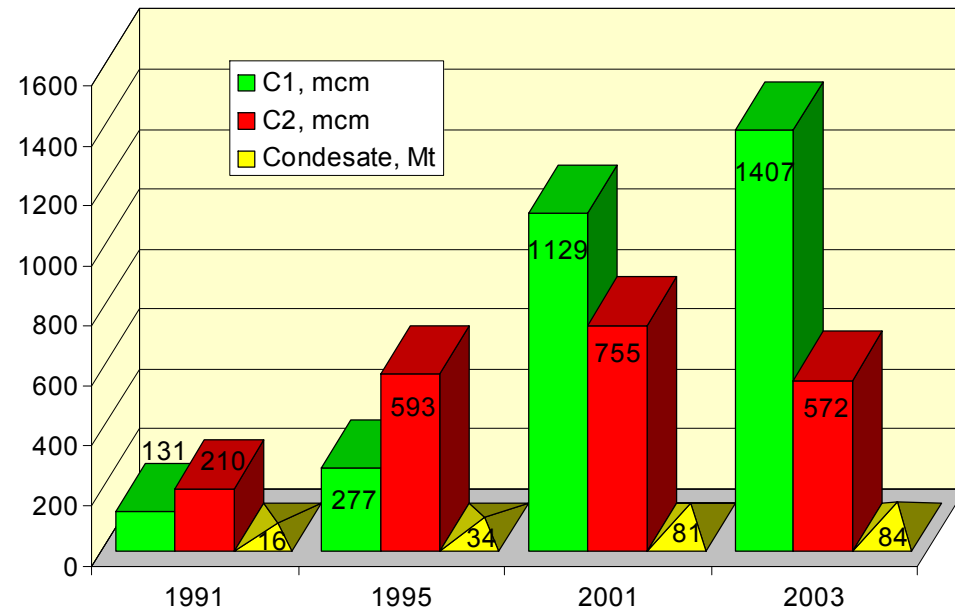


Field

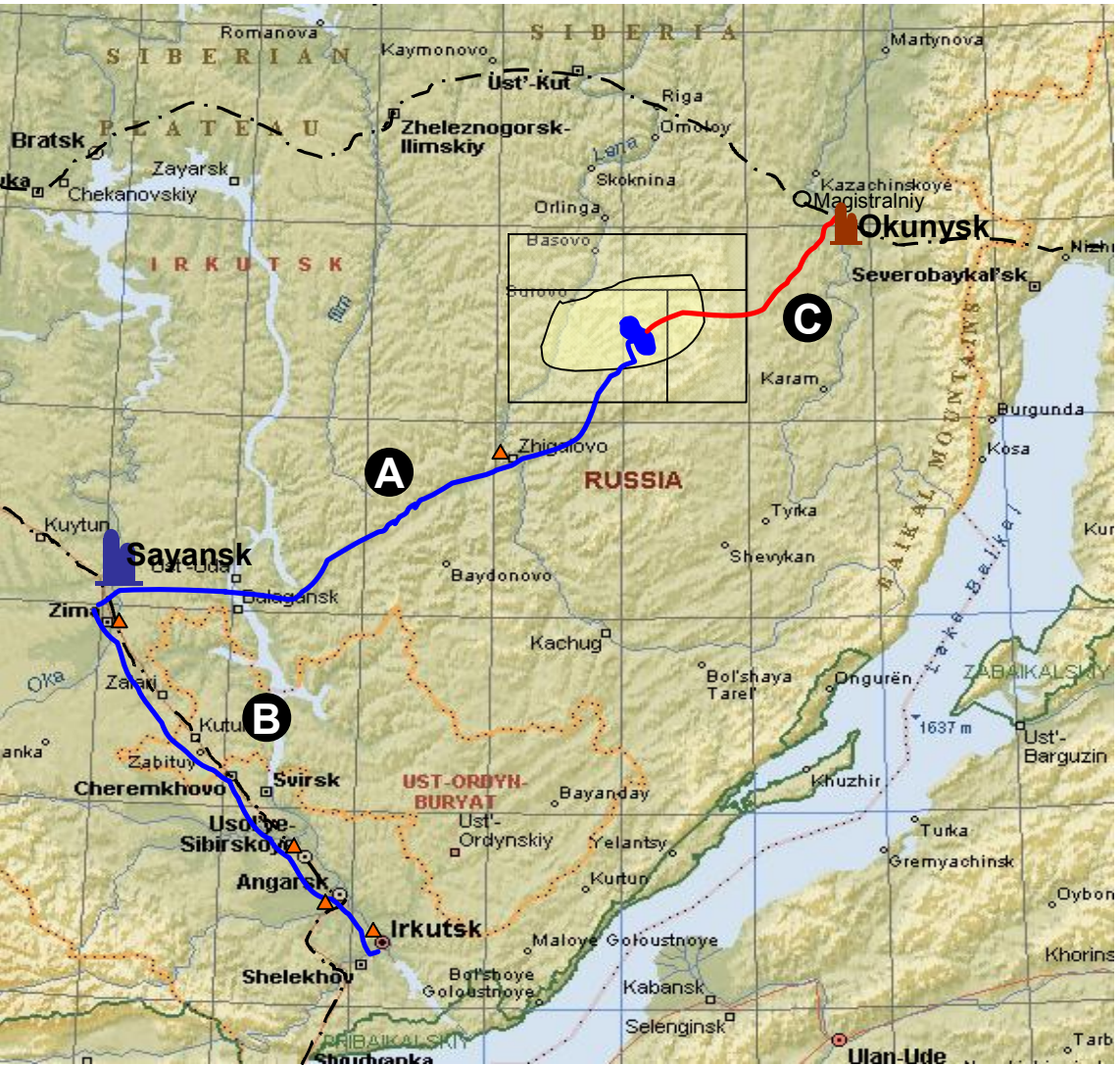
- Extremely continental climate, average annual temperature below zero, sporadic permafrost;
- Elevation: Ranging from 380 m to 1503 m above mean sea level.
- 80 km to the nearest settlement, 350 km to Irkutsk city, 180 km to the station at Baikal-Amur Railroad;
- License area: 10.3 thousand km²;

Reserves

- Reserves associated with Precambrian Parfenovsky;
- Average effective thickness: 14-15 m.
- Occurrence at 2650 – 3300 subsurface
- Gas reserves:
 - 1.9 tcm gas
 - 84 mmt condensate
- Average flow-rate per well: 350 to 500 10³m³/day;



Kovykta Phase 1 - Regional Project

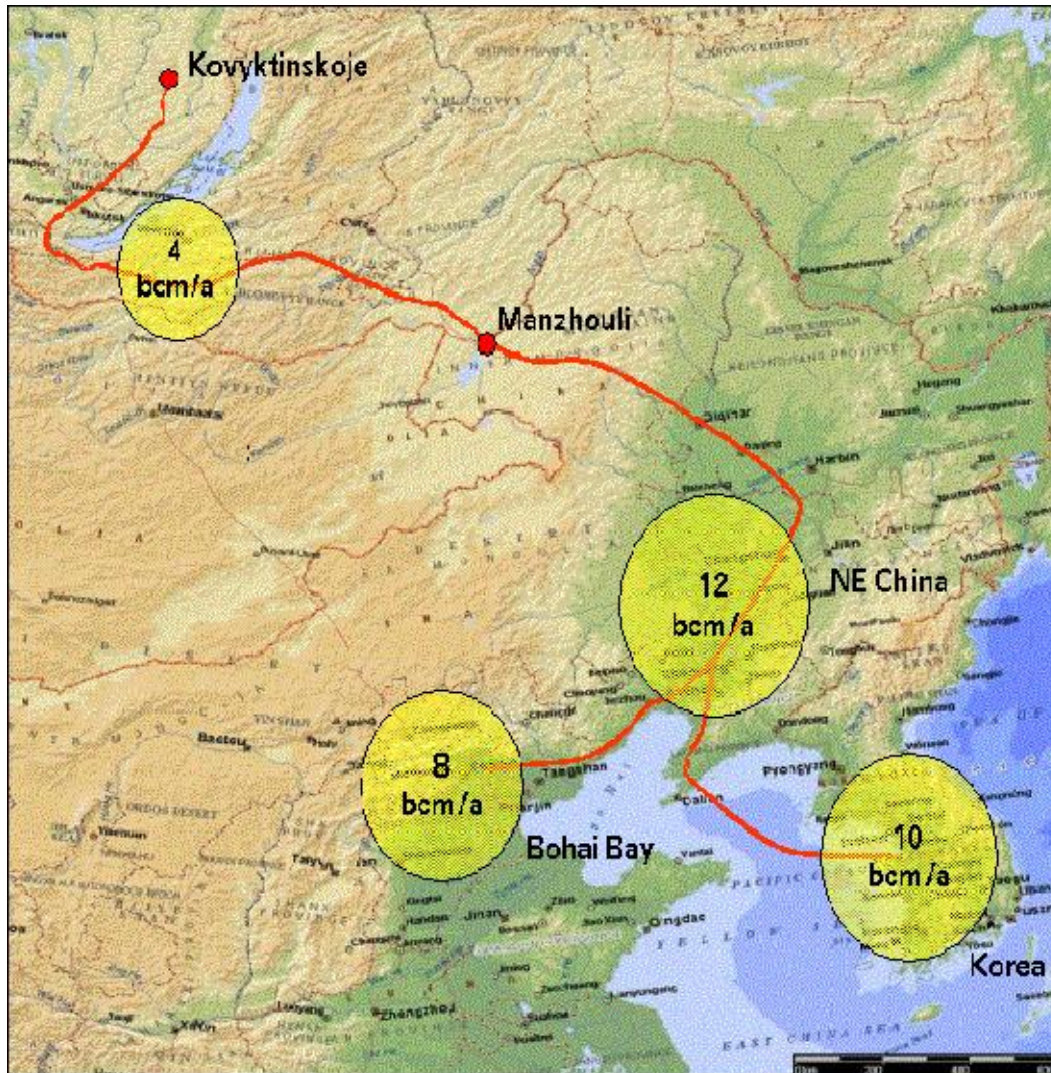


FIELD	
Number of wells	14 new + 4 existing
Number of well pads	6
Number of CPF's	1

Transportation			
Component	A	B	C
Length (km)	393	285	160
Diameter (inches)	24	24	6
Pressure (bar)	100	63/20	8

MARKETS			
Component	Phase 1a	Phase 1b	Customer
Methane	0.001 bcma to Zhigalovo	2.5 – 4.0 bcma plateau	Industrial & municipal heat & power
C2+ and helium	NA	280 kt of C2+ and 7 mcm of He	Sayansk Chimplast & Geilimash
Condensate	Minimal for remote well sites	163Kta plateau	RFE refineries via BAM

Kovykta Phase 2 – Export Project

THK·BP


Development Capex

Component	IFS Estimate
Field & Facilities	\$6,5 bln
Russia Pipeline	\$5,6 bln
China Pipeline	\$5,2 bln
Korea Pipeline	\$0.7 bln
Total	\$18 billion

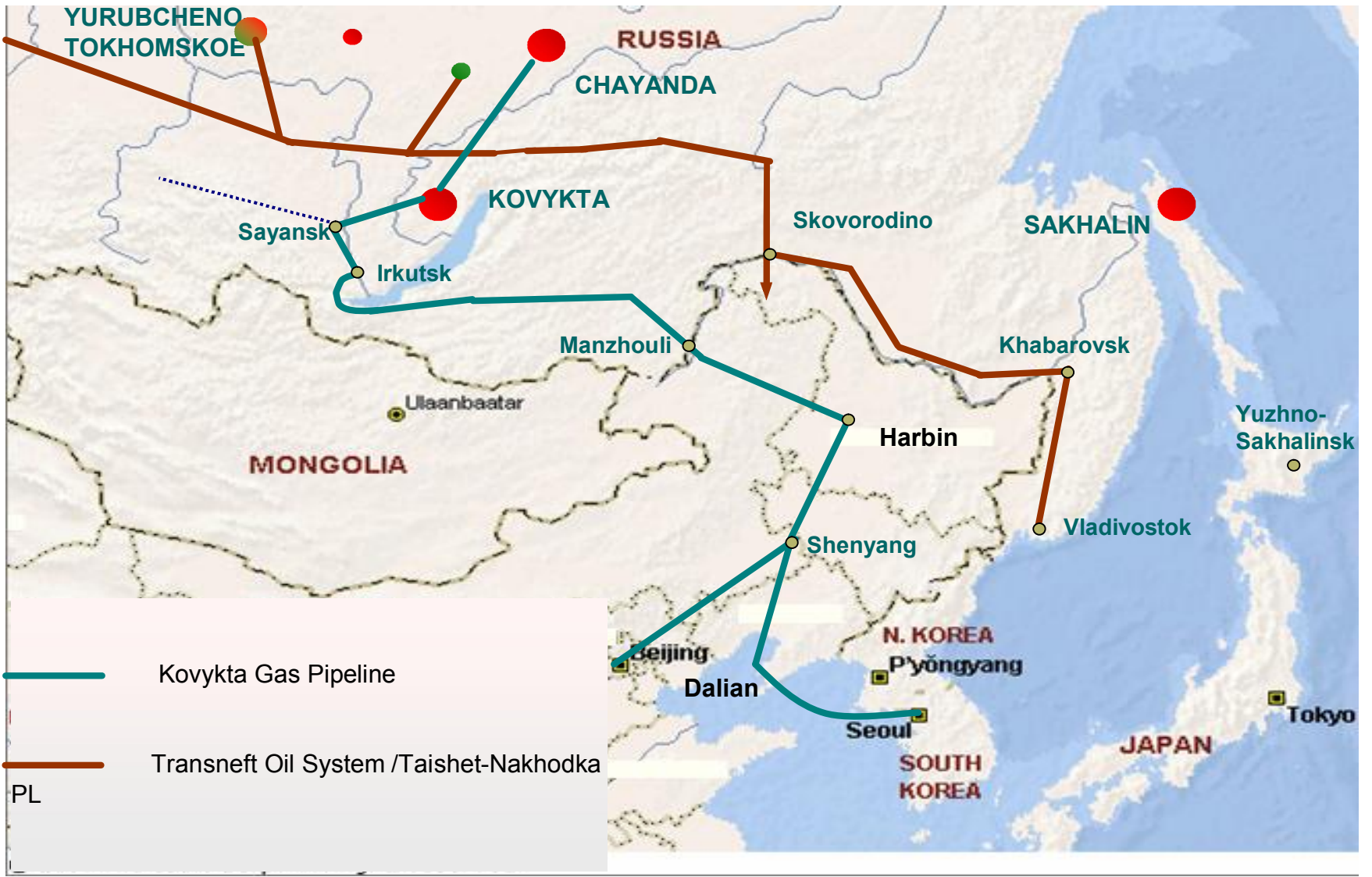
Sales Gas (bcm/a)

Market	First Gas	Plateau Sales Gas
Irkutsk	2008	4 bcm/a
North East China	2011	12 bcm/a
North China	2014	8 bcm/a
Korea	2011	10 bcm/a

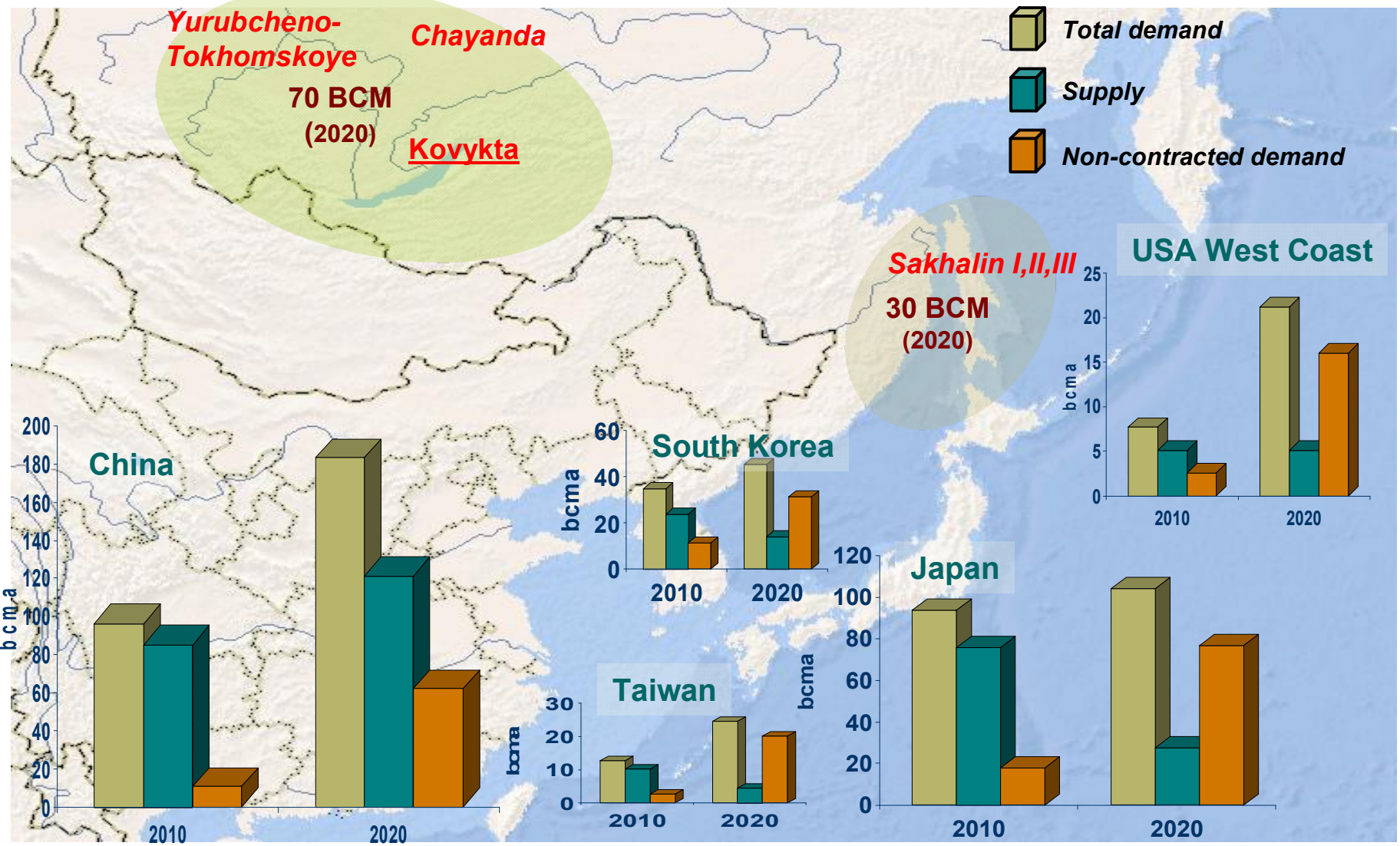
Kovykta Reserves

Indicator	Value
Reserves bcm	1472
Build Up Period	9 years
Plateau Period	23 years

Transportation Options



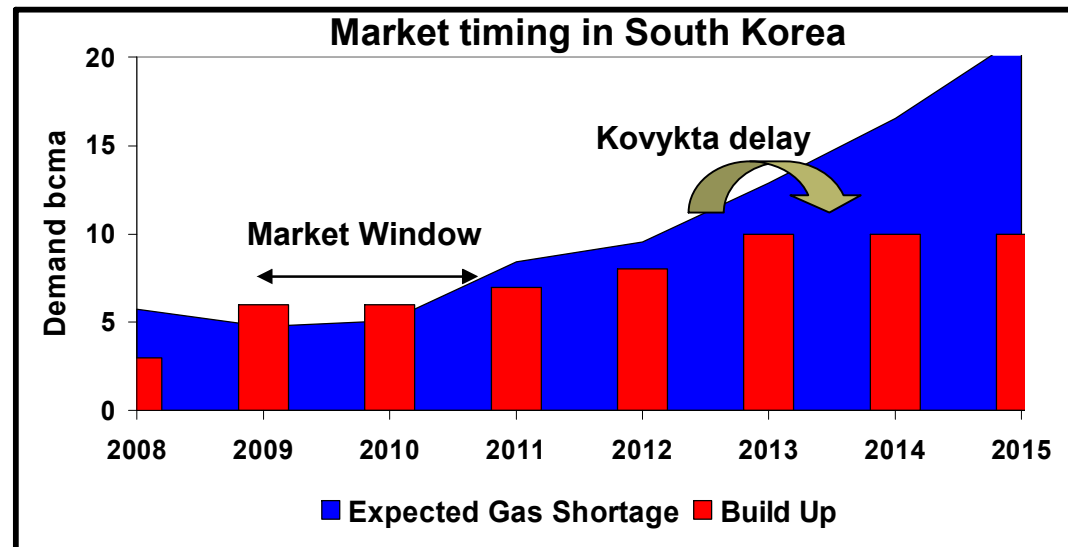
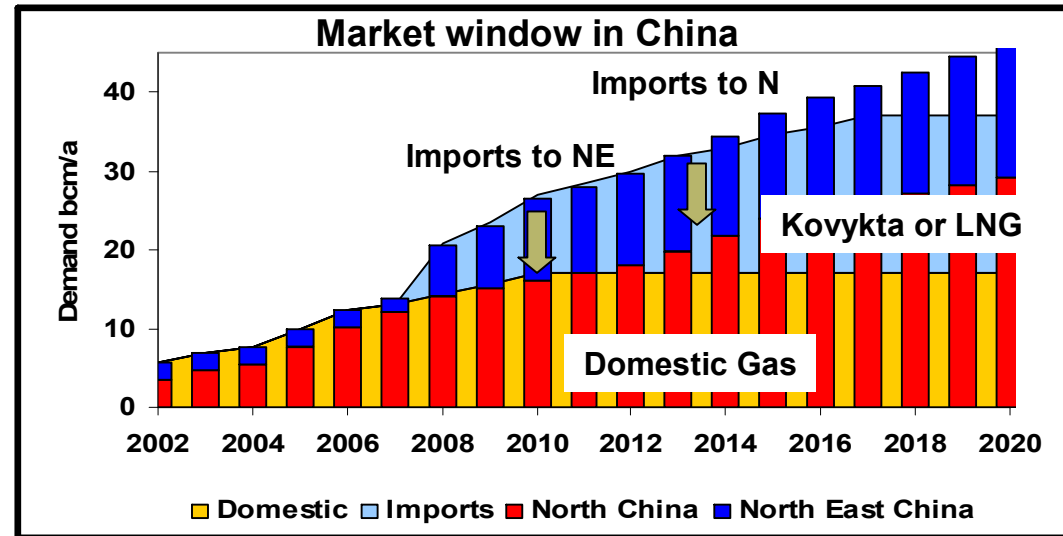
Gas Supply & Demand in Asia Pacific Region



Securing the Market Window



- **North East Asia's fast growing markets are the most logical target for East Siberian pipeline gas.** Chinese annual demand growth 12 %, Korean 5,6 %
- **Diversity and security of supply** for Chinese and South Korean markets
- **Market window in 2008 – 2011 exists** in both China and South Korea; competition will be between Russian Pipeline gas and LNG imports in both markets. Next available market window 2015 – 2020
- **Pipeline vs. LNG competition:** With no deliveries of Russian pipeline gas, new LNG terminals will be built up in the markets of Korea and China. The LNG supplies will be sourced from Indonesia, Australia and Middle East, increasing price competition.



Conclusion



Key Issues for Kovykta



Pipeline Routing

- Kovykta gas is exported to China & Korea or west to UGSS
- Southern or Northern route for Export

Market Demand Assurance

- Volumes & Pricing
- Timing of the Market Window
- Deadlines for decision-making

Stakeholder Alignment

Governments:

- RF
- China
- Korea

Partner Companies:

- Gasprom
- TNK-BP
- CNPC
- Kogas

Project Development

- Intergovernmental Agreements
- Signing Long-Term Contracts for Gas Supply
- Conducting Technical Assurance
- Establishing Partnership Configuration
- Secure Financing