

Russian Production Sharing Agreement could mean opportunity for contractors and operators

AS RUSSIA OPENED its borders to outside investment, the international E&P industry was enthusiastic about the hydrocarbon potential of this vast land. However, complex rules, governmental and economic uncertainty and, perhaps most importantly, inability of non-Russian oil companies to receive crude oil directly ultimately sent initially high enthusiasm spiraling downward.

Recently, however, the Russian Duma passed legislation that would for the first time permit foreign oil companies to share Russian production. This would introduce an incentive that the industry has long hungered for and could open the door to more stable and efficient relationships in this quickly evolving society.

The new Production Sharing Agreement (PSA) was celebrated recently in Washington at a gathering of Russian-American oil executives and politicians. The event was organized under the auspices of the **Moscow International Petroleum Club** by **Lou Pugliaresi**, President of Washington-based **LPI Consulting**. Dignitaries attending included US Secretary of Energy **Bill Richardson**; **Sergey V Generalov**, Minister of Fuel and Energy for the Russian Federation; **Piotr Radionov**, MIPC President and Deputy Chairman of **Gazprom**; **Yuri Shafranik**,



Landmark legislation: Above, US Secretary of Energy Bill Richardson (left) and Russian Minister of Fuels and Energy Sergey Generalov celebrate the new Russian Production Sharing Agreements, designed to increase western oilfield investment in the Russian Federation. Inset: Secretary Richardson poses at the event with IADC President Dr Lee Hunt (right) and IADC Director-Int'l Communications Guzel Travina.

Russian Central Fuel Minister; IADC President **Dr Lee Hunt**; and IADC Director-International Communications **Guzel Travina**.

In addition, executives with numerous US and Russian oil companies attended, including **Transneft, Rosneft, Sibneft, Slavneft, KomiTEK, ONAKO, Tumen Oil Co, Rosneftegazstroy, Chevron, Exxon, Marathon, Conoco, Texaco** and **BP Amoco**.

"This landmark legislation will produce opportunity for IADC members to participate in increased exploration and development activities in the Russian Federation," IADC's Dr Hunt observed.

Secretary of Energy Richardson praised the legislation for its progressive contribution to the energy industries of both nations.

The PSA is anticipated to generate 4-5 projects in the Russian Federation. In these, multinational Western firms will seek joint projects with Russian firms.

However, the PSA is not a panacea. For example, only some 30% of Russian reserves will be affected by the legislation, Dr Hunt noted. ■

Transocean's Cole to chair program group for '00 IADC/SPE Drilling Conference

JON C COLE, **Transocean Offshore Inc** Senior Vice President, will chair the Program Committee for the 2000 IADC/SPE Drilling Conference, scheduled for 23-25 Feb, at the Hilton Riverside in New Orleans.



John C Cole

Mr Cole is the author of numerous technical papers and a contributing member of the global drilling community.

He is also a believer in technology. Mr Cole recently outlined his views at the 1999 SPE/IADC Drilling Conference, held in Amsterdam during March. That event drew some 1,100 drilling professionals from around the globe.

Mr Cole noted that the future would bring increased demand for hydrocarbons, along with continued price fluctuations.

To ensure the world can continue to fuel its economy, he said, we must accept that one of two scenarios will occur. One scenario is that of increased political risk to oil supply. This scenario places continued reliance on low-

cost producing areas. However, many of these exist in politically turbulent regions.

"Either we experience increased political risk or technology will be required to access new reserves and reduce the cost of existing developments," Mr Cole said.