

Press Conference Background

Mineral and Raw Material Base Development. Gas Production. Gas Transmission System Development

June 1, 2011

Mineral and Raw Material Base Development

In 2011 Gazprom Group replenished its resource base with 547.7 billion cubic meters of natural gas through geological exploration. Thus, for the sixth consecutive year the rates of the Company's reserves growth exceed natural gas extraction rates.

Nowadays, Gazprom Group's licensed blocks contain over 70 per cent of discovered gas reserves in Russia and some 18 per cent worldwide. As of December 31, 2010 Gazprom Group's A+B+C1 reserves (Russian classification) amounted to 33.1 trillion cubic meters.

In 2010 DeGolyer and MacNaughton evaluated 93 per cent of gas reserves, 86 per cent of oil reserves and 90 per cent of condensate reserves in the A+B+C1 category according to PRMS international standards. The evaluation showed that Gazprom's proven and probable reserves accounted for 22.52 trillion cubic meters of gas, 719.3 million tons of condensate and 1.18 billion tons of oil. Their net present value is estimated at USD 269.6 billion.

In 2010 Gazprom Group's exploration activities resulted in the discovery of three new fields – Yuzhno-Kirinskoye, Abakanskoye and Severo-Vakunaiskoye as well as 26 new deposits.

In parallel with geological exploration in the Russian Federation and on Russia's continental shelf, in 2010 Gazprom continued prospecting operations in Algeria, India, Libya and Vietnam as well as in Central Asian Republics of Tajikistan and Uzbekistan.

Gas Production

In 2010 Gazprom Group's companies produced 508.6 billion cubic meters of gas or 10.2 per cent up versus 2009 (461.5 billion cubic meters).

In 2010 gas condensate and oil production amounted to 11.3 tons and 32 million tons accordingly thus surpassing the 2009 production level (by 1.2 and 0.4 million tons).

In 2010 Gazprom commissioned comprehensive gas treatment units at the Valanginian deposit of the Zapolyarnoye field and brought onstream the Zapadno-Pestsovaya area of the Urengoyenskoye field and the Yareyskaya area of the Yamsoveyskoye field with the total productivity of 9.74 billion cubic meters per year. 128 production wells were put into operation.

A comprehensive gas treatment unit was inaugurated in the Kshukskoye field (0.18 billion cubic meters per annum). Production operations in the Kshukskoye field were launched in line with the Russian Federation President assignment on the need to start Petropavlovsk-Kamchatsky gasification from 2010. At the moment, pre-development of the Kshukskoye and Nizhne-Kvakchikskoye fields is underway.

In 2010 Gazprom continued the Yamal megaproject implementation and particularly development of the Bovanenkovo field containing the largest gas reserves on the Peninsula. The explored and provisionally estimated gas reserves of the field amount to 4.9 trillion cubic meters. The first startup complexes of the field will be commissioned in the third quarter of 2012.

Gazprom constructed the Obskaya – Bovanenkovo – Karskaya railroad as an essential infrastructure facility on Yamal. In February 2011 regular operation was launched along the whole railroad.

Gazprom obtained first tangible results in the process of shaping a new sub-sector of the domestic fuel and energy industry. In February 2010 the Company inaugurated Russia's first coalbed methane facility in the Taldinskoye field, Kemerovo Oblast. Pilot operation of the field yielded 4.9 million cubic meters of gas during the year.

Gas Transmission and Underground Gas Storage System Development

The Unified Gas Supply System, as Gazprom's gas transmission grid, comprises a branchy network of gas trunklines, compressor stations and underground gas storage (UGS) facilities. Centralized management, ramified structure and parallel transmission routes endow Gazprom's gas transmission system (GTS) with a considerable reliability margin and ability to uninterruptedly supply gas even under seasonal peak loads. The total length of Gazprom's GTS is 161.7 thousand kilometers.

A unique gas transmission system will be created as part of the Yamal megaproject before 2030. In future, the new-generation system will become a key element of the Russian UGSS and convey over 300 billion cubic meters of the Yamal gas per year. The system will be unparalleled in Russia.

The Bovanenkovo – Ukhta gas trunkline system with the annual design capacity of 140 billion cubic meters will become a crucial part of the Yamal gas transmission corridor. As of June 2011, 979 kilometers out of more than 1.2 thousand kilometers of the first gas trunkline system's string was welded up.

In 2010 the Gryazovets – Vyborg linepipe was constructed. The gas pipeline is intended to feed gas to Nord Stream and supply it to consumers in Northwestern Russia. The design capacity will be achieved in late 2012.

In September 2010 the Sobolevo – Petropavlovsk-Kamchatsky gas trunkline was commissioned. The 392-kilometer gas trunkline annually conveys up to 750 million cubic meters of gas. Natural gas has arrived in the Kamchatka Krai capital for the first time ever, thus paving the way for the Peninsula gasification and lowering its dependence on the fuels brought in from beyond the region. The Kamchatka has become the resource base for the new gas pipeline.

Construction of Sakhalin – Khabarovsk – Vladivostok, the first GTS in the Far East, progressed within the established timeframe. The gas pipeline construction is at the final stage. By the end of May, 1,310 kilometers of the first startup complex, or 97 per cent of its total length, were welded up.

In 2010 the offshore part of the Dzhubga – Lazarevskoye – Sochi gas pipeline was constructed. Upon its commissioning in 2011, the gas pipeline will allow for reliable and sustained gas supplies to Olympic venues and consumers in the Tuapse District, Sochi and the neighboring areas in the amount of up to 3.8 billion cubic meters. The pipeline will also ensure energy safety in the Sochi metropolis.

The total of 1,338.6 kilometers of gas trunklines and laterals, and a gas compressor station were commissioned as part of gas transmission projects in 2010.

Gazprom builds up its UGS capacities in order to enhance their flexibility and optimize the system load. Currently, the work is being done in compliance with the 2011 Action Plan for facilities construction, retrofitting and commissioning and the governmentally-approved assignment to expand the UGS system before 2015.

Preserving the achieved potential (working gas volume – 64 billion cubic meters, maximum daily deliverability – 620 million cubic meters, average daily deliverability between December and February – 500 million cubic meters) and the high reliability of the existing UGS facilities through repair, maintenance, upgrade and re-equipment are the primary goals of the UGS sector in 2010.

The forecasted growth in gas demand calls for further expansion of the UGS sector. By 2020 Gazprom may increase the maximum daily deliverability of Russian UGS facilities to 1 billion cubic meters. At present, Gazprom is constructing three UGS facilities in Russia: the Udmurtia reserving complex in an aquifer and the Kaliningrad and Volgograd UGS facilities in salt caverns.

Beyond Russia, Gazprom stores gas in UGS facilities in Austria, France, Germany, Latvia and the UK, it holds stakes in the companies operating UGS facilities – ArmRosGazprom (Armenia), Latvijas Gaze (Latvia), Wingas and VNG (Germany).