Press Conference Background

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

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Mineral and Raw Material Base Development

As of December 31, 2011 Gazprom's A+B+C1 explored natural gas reserves (Russian classification) amounted to 35.1 trillion cubic meters representing around 72 per cent of the Russian or nearly 18 per cent of the global reserves.

In 2011 the gas reserves replenishment level reached the all-time high of 719.8 billion cubic meters as a result of geological exploration carried out by Gazprom in Russia. The gas replenishment to extraction ratio amounted to 140 per cent. Thus, for the seventh consecutive year the rates of the Company's reserves growth exceeded natural gas extraction rates.

In 2011 Gazprom performed 2D seismic survey of 2.8 thousand linear kilometers and 3D seismic survey of 8.8 thousand square kilometers in Russia. 157.7 thousand meters of rocks were drilled and 60 prospecting and exploratory wells were built. The exploration related costs stood at RUB 50.7 billion.

In 2011 exploration work resulted in the discovery of five fields: the Mynginskoye gas and condensate field offshore Sakhalin, the Novotatishchevskoye gas and oil field in the Orenburg Region, the Severo-Trassovoye and Myginskoye oil fields in the Tomsk Region as well as the Ignyalinskoye oil, gas and condensate field in the Irkutsk Region.

Gazprom continues exploration projects beyond the Russian Federation. In 2011 the bulk of exploration work was concentrated offshore Vietnam and Equatorial Guinea, onshore Uzbekistan, Tajikistan and Algeria. RUB 8.2 billion was invested in geological exploration beyond Russia. 21.8 thousand meters of rocks were drilled, 1.3 thousand linear kilometers and 0.7 thousand square kilometers were covered by 2D and 3D seismic survey, respectively. 0.4 billion cubic meters of gas reserves were added at the previously discovered Dzhel field in Uzbekistan.

Gazprom annually carries out independent evaluation of its feedstock base in accordance with the international standards. In 2011 DeGolyer and MacNaughton audited 90 per cent of gas, 83 per cent of condensate and 89 per cent of oil reserves in the A+B+C1 category according to PRMS standards. Gazprom's proven and probable hydrocarbon reserves accounted for 22.8 trillion cubic meters of gas, 757.8 million tons of condensate and 1,216.1 million tons of oil. Their net present value is estimated at USD 299.2 billion.

Gas Production

In 2011 Gazprom Group produced 513.2 billion cubic meters of natural gas showing a 4.6 billion cubic meters excess over the 2010 production level (508.6 billion cubic meters).

Between October 2011 and March 2012 the Company produced 278.7 billion cubic meters of gas.

The liquid hydrocarbons production in 2011 made up 44.4 million tons including 12.1 million tons of gas condensate and 32.3 million tons of oil.

In the same year a number of process capacities for gas, gas condensate and oil production were put onstream:

- installation of a gas treatment unit with the annual capacity of 2 billion cubic meters at the Nydinskaya area in the Medvezhye field;
- booster compressor stations capacities with the total output of 94 MW at the Urengoyskoye, Yety-Purovskoye and Vyngaiakhinskoye fields as well as the Komsomolskoye gas facilities;
- 187 gas production wells.

In 2011 an experimental dual well was brought into pilot commercial operation at the Yuzhno-Russkoye field to recover first Turonian gas that was delivered to the Unified Gas Supply System of Russia. The daily well productivity is 200 thousand cubic meters. By launching the well, Gazprom Group gained its first experience of gas production from the Turonian deposits lying at the depth of 810 to 840 meters. They feature the discontinuity and variability of the lithological composition and low reservoir permeability.

Gas Transmission and Underground Gas Storage System Development

The Unified Gas Supply System of Russia – Gazprom's gas transmission system (GTS) stretches for 164.7 thousand kilometers.

In 2011 five compressor stations were commissioned at the Gryazovets – Vyborg gas trunkline (its linear part was put onstream in December 2010). The gas pipeline is intended to feed gas to Nord Stream and supply it to consumers in Northwestern Russia. Construction of the gas pipeline's looping systems is underway. It is projected to commission these systems and two compressor stations in autumn 2012.

In 2011 Gazprom intensely constructed the first string of the new-generation Bovanenkovo – Ukhta gas trunkline system within the Yamal megaproject. The GTS is being constructed with the use of 1,420 millimeter domestically manufactured pipes designed for the operating pressure of 11.8 MPa – the world's

record for onshore gas pipelines. The first gas trunkline string will be commissioned in June 2012 – simultaneously with the gas production launch at the Bovanenkovo field. At present, construction and installation operations are nearing completion at the linear sections and compressor stations.

In the third quarter of 2011 Gazprom completed construction of the first startup complex at the Sakhalin – Khabarovsk – Vladivostok gas transmission system – the first interregional GTS in Eastern Russia. Its annual throughput is 6 billion cubic meters. In addition to the linear section, the startup complex includes the Sakhalin main compressor station, the gas distribution station of Vladivostok, power supply, telemechanics, communications systems and access roads. The next stage stipulates construction of the Yakutia – Khabarovsk – Vladivostok gas transmission system. Execution of the said projects will help deliver the required volumes of natural gas to the Far Eastern regions as well as create preconditions for arranging and expanding natural gas supplies from Russia to Asia-Pacific countries.

In 2011 Gazprom was engaged in preparation of project documents for the Southern Corridor GTS construction, Phase 1. The documents were ready in March 2012. The Southern Corridor project will be implemented to supply additional gas to Russia's central and southern regions as well as to ensure gas delivery to South Stream. Phase 1 of the Southern Corridor GTS construction will begin in December 2012 (in parallel with the South Stream construction start) and end in 2015 (in parallel with the South Stream Phase 1 commissioning). It is projected to build 2,446 kilometers of gas trunklines and 10 compressor stations with the total capacity of 1,473 MW under the Southern Corridor project. The project will be divided into two parts and completed before December 2019.

Gazprom is taking efforts on building up underground gas storage (UGS) capacities to raise flexibility and ensure optimal load of the gas transmission system.

As of December 31, 2011 the working gas capacity of UGS facilities located in the Russian Federation totaled 66.7 billion cubic meters (versus 65.41 billion cubic meters as of December 31, 2010).

UGS facilities located in Russia secure around 20 per cent of domestic and export gas supplies in the heating season. During cold snaps UGS facilities provide nearly 30 per cent. In the peak demand period of the 2011–2012 withdrawal season this figure amounted to 33.7 per cent of gas consumption in Russia.

In 2011 Gazprom intensely developed the UGS system in Russia. For instance, the capacities of the Sovkhoznoye, Stepnovskoye, Kasimovskoye, Nevskoye, Kaluzhskoye and Kushchevskoye UGS facilities as well as the Kanchurinsko-Musinsky UGS Complex were retrofitted and expanded. The Kaliningradskoye

and Volgogradskoye UGS facilities were under construction in salt caverns. As a result, new working gas capacities of around 1.3 billion cubic meters in total were commissioned and new wells and gas compressor units (total projected output is 36 MW) were connected. Besides, Gazprom launched construction of the large Bednodemyanovskoye UGS facility last year.

During the autumn/winter 2011–2012 period Gazprom increased the UGS productivity to record amounts. In the beginning of the withdrawal season up to 647.7 million cubic meters of gas could be daily delivered to consumers from UGS facilities, between December and February – the average of 522.1 million cubic meters per day. Moreover, the daily withdrawal rate of 638.7 million cubic meters was reached on February 2, 2012, thus hitting the all-time record in the entire Russian UGS history. By the beginning of the withdrawal season the operating gas reserve of 65.2 billion cubic meters (1.2 billion cubic meters more than last year) was accumulated in UGS facilities – the maximum amount in the history of the domestic gas industry. By the forthcoming withdrawal season Gazprom is going to increase the operating gas reserve to at least 66.28 billion cubic meters.