



Rosneft and KNOC Initiate Cooperated Activity at Western Kamchatka Shelf

OJSC Rosneft Oil Company and Korea National Oil Corporation (KNOC) made on February 22, 2005 in Moscow an Interim Finance Agreement (IFA), which envisaged KNOC participation in the Western Kamchatka Shelf perspective region. Rosneft possesses the license for exploring the area.

In September of 2004 during the visit of the Korean Republic President No Mu Hen to Russia Rosneft and KNOC signed a Memorandum of Understanding, which stipulated in particular for the parties' intention to cooperated development of the Western Kamchatka area of the Sea of Okhotsk Shelf. According to the document, the parties should have cooperated by establishing joint enterprises. The Korean party abiding by the agreement made a number of special technical researches on the licensed area territory.

The parties highly evaluate the partnership of the two national oil companies and according to the interim financial agreement decided on conducting seismic prospecting during 2005 on the license area territory, which totals to 60 thousand square kilometers, as well as on drilling three prospective wells till 2008. Besides, the parties concluded the necessity of establishing a joint company until the end of this year.

According to the words of the Korean party representatives, there are two reasons for KNOC to place special emphasize on its participation in the Western Kamchatka Shelf development. The first thing is that the area is geographically close to the Korean peninsula, the second is its huge industrial potential.

Rosneft and KNOC believe that the Russian Kamchatka shelf hydrocarbon reserves development will prove a significant contribution to the process of stabilizing deliveries of oil to the Asian Pacific Region markets and providing a stable energy balance in the region.

Recoverable resources of the Western Kamchatka shelf area are primarily estimated to 900 million tons of oil equivalent at 26 perspective structures.

According to the Rosneft specialists information, the scale of the project is comparable to the Sakhalin-1 and Sakhalin-2 projects. The first stage of the project is calculated to about two years and a half and needs some 150 million dollars of investments in the geologic exploration.

The Korean party is supposed to invest in the geologic exploration till the project is put into commercial operation. Rosneft will have the right to obtaining the fixed part of the profit quite on beginning of exploitation without waiting for KNOC to recover its value