Prospects and operational presence expansion

Entry into new oil projects is the basis for the Company’s long-term growth as per the Zarubezhneft JSC Corporate Strategy.

During the reporting period, the Company implemented a number of measures to develop this business line:
- Zarubezhneft JSC policy in the field of business development in the UPSTREAM sector has been developed and approved;
- a new version of the Standard for Search and Evaluation of New Assets business process was prepared;
- The IT-system for monitoring the evaluation process and entering to new projects was launched into pilot operation;
- The Benchmarking concept has been developed; a comparative analysis of the activities of Russian and foreign companies on entering new projects has been underway.

In 2018, more than 30 projects were reviewed in the Russian Federation and abroad; investment Committee meeting were held on 22 projects. Experts of the corporate center and subsidiaries carried out 4 process audits of new fields. In addition the countries of presence (Vietnam and Cuba), traditional to the Company, the activities focused on searching, evaluating and developing projects in the following regions:
- Middle East and Africa (Iraq, Egypt, Gabon);
- South America (Ecuador, Colombia, Argentina);
- Southeast Asia (Indonesia, Brunei).

During the reporting period, a number of documents were signed with foreign partners that laid the legal foundation for future cooperation: Confidentiality agreements were signed with the Ministry of Oil and Ore Mining of Sudan, Sudapet Sudan National Oil and Gas Company, Stream Oil (Gabon) and Pura Vida (Australia) private companies, a Memorandum of Understanding was signed with the Ministry of Oil of South Sudan.

MAIN COMPANY’S ACCOMPLISHMENTS IN 2018 TOWARDS THE EXPANSION OF THE AREA OF OPERATIONS

Iraq
Contacts were established and negotiations were held with representatives of the Ministry of Petroleum of Iraq, government agencies responsible for the implementation of projects in Upstream segment. The information was analyzed about the fields under the jurisdiction of the Ministry of Petroleum of Iraq, which can be entered through direct negotiations.

Ecuador
In 2018, the Company continued the analysis and evaluation of the proposed new projects in the framework of international tenders. In particular, Zarubezhneft JSC passed the qualification successfully at the national oil and gas company Petroamazonas under the Ronda Campos 2018 tender and prepared a package of qualification documents for participation in the Secretariat tender for Intracampos hydrocarbons.

Argentina
Negotiations were held with representatives of the Federal Ministry of Energy of Argentina, the regional Ministry of Energy of Rio Negro province, with representatives of YPF state oil and gas company and a number of private operators. Potential projects for joint implementation have been identified.

Gabon
At the suggestion of the Ministry of Oil and Hydrocarbons, several offshore projects were studied in detail. Participation in a tender planned for 2019 for marine geological survey blocks was prepared.

Egypt
The Company’s activities in Egypt were focused on exploring blocks in the Sinai Gulf, awarded to private Egyptian companies. In particular, the main terms of the Agreement with the operator of Pacific Oil Limited project were agreed on SE Ras El Ush field, and the option of involving Murmanskaya jack-up to work on the project was worked out. A letter was sent to the Egyptian state oil company Ganope about Zarubezhneft JSC readiness to join the PSA in the South East Ras El Ush block in a consortium with Pacific.
In terms of the new assets in the Russian Federation and the CIS, Zarubezhneft JSC has also actively conducted an assessment of new projects, considering potential assets under the allocated and unallocated subsoil fund. In 2018, projects were considered in the most priority regions of the Russian Federation - Western Siberia, Timan-Pechora, Saratov and Orenburg regions, as well as in Kazakhstan and Uzbekistan.

To digitize the search and analysis of new projects, the Company has developed an Information System for monitoring the entry into new projects. The information system will allow visualizing the processes of entering the projects, reviewing technical and economic indicators, total indicators on the project portfolio, terms and stages of implementation, as well as monitoring key performance indicators at various stages of investment projects. The implementation of such a decision will make it possible to have constant access to all the necessary information on the estimated sites for making a decision on entering the project.

It should be noted that in 2018, Zarubezhneft JSC began the development of a new promising business segment – renewable energy sources (RESs). Initially, in cooperation with domestic manufacturers of equipment for solar power plants, it is planned to equip the Company’s own oil and gas projects, and then, to transfer RESs to an independent activity while gaining the necessary experience.